



Republika e Kosovës
Republika Kosova-Republic of Kosovo
Kuvendi - Skupština - Assembly

Law No. 03/L-048

ON PUBLIC FINANCIAL MANAGEMENT AND ACCOUNTABILITY

The Assembly of the Republic Kosovo,

On the basis Article 65(1) of the Constitution of the Republic of Kosovo; and

Recognizing the need to improve budget, capital and operating expenditure, financial management, accounting, budget accountability, and financial reporting systems for public authorities and public undertakings in Kosovo, and to prescribe the powers and duties of the Minister of Finance and Economy and other public authorities relating to these matters;

Hereby approves:

LAW ON PUBLIC FINANCIAL MANAGEMENT AND ACCOUNTABILITY

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PART I

General Provisions

Article 1 Definitions

1.1 For the purposes of interpreting and applying the present law, the following defined terms shall – whenever used in the present law - have the indicated meaning unless the context within which such term appears clearly intends another meaning:

-**“Allocated funds”**- shall have the meaning specified in paragraph 1 of Article 35 of this Law.

-**“Appropriation”**- means the identification in an Appropriations Law of the maximum amount that may be made available during a fiscal year for expenditure by a budget organization for a specified program or other expenditure category or for transfer by a budget organization to a public authority or public undertaking as a grant.

-**“Appropriations Law”**- means a law passed by the Assembly providing budget organizations the authority to spend or transfer public funds, up to a set limit, for a specified purpose, during a given fiscal year.

-**“Assembly”**- means the Assembly of the Republic of Kosovo.

-**“Auditor General”**- means the Auditor General of Kosovo appointed pursuant to UNMIK Regulation 2002/18.

-**“Authorized Investments”**- shall mean the securities and deposit accounts specifically described in paragraph 1 of Article 9 of this Law.

-**“Autonomous executive agency”**- means a public authority that (i) is not itself a budget organization but is part of another budget organization, *and* (iii) is explicitly required by a primary normative act to operate with autonomy or substantial autonomy from the budget organization of which it is a part.

-**“CBAK”**- means the Central Banking Authority of Kosovo established by UNMIK Regulation 2006/47 and any successor institution thereto.

-**“Budget Committee”**- means the Budget Committee of the Assembly.

-**“Budget Department”**- means the department established under Article 5 of this law.

-**“Budget organization”**- means any public authority or public undertaking that directly receives under an Appropriations Law an appropriation that is not a component of a larger aggregate appropriation provided to another public authority or public undertaking.

-**“Certifying Officer”**- means the individual within a budget organization, an autonomous executive agency or a public undertaking who is employed in that position pursuant to Article 14 of this Law.

-**“Chief Administrative Officer”**- or “*CAO*” means (i) with respect to a municipality, its mayor, and (ii) with respect to other budget organizations: (a) its Permanent Secretary, (b) if it has no Permanent Secretary, its Chief Executive Officer, or (c) if it has neither a Permanent Secretary nor a Chief Executive Officer, the person who has principal day-to-day administrative authority over its operations and personnel. In the special case of an autonomous executive agency, these terms mean the director or head of that agency and not the CAO of the budget organization of which such agency is a part. In the case of a public undertaking, these terms mean the chief executive officer, managing director or other person having principal day-to-day administrative authority over its operations and personnel.

-**“Chief Financial Officer”**- means the individual within a budget organization, an autonomous executive agency or a public undertaking who is employed in that position pursuant to Article 12 of this Law.

-**“Civil servant”**- shall have the meaning specified in UNMIK Regulation 2001/36 of 22 December 2001, “On the Kosovo Civil Service”.

-**“Contingent liability”**- means a potential obligation that will materialize only if certain events occur in the future.

-**“Dedicated revenue”**- means public money that is derived from a particular revenue source and that is required by a law or UNMIK regulation to be appropriated to a specific budget organization and/or for a specifically identified purpose; provided, however, that “*extraordinary revenue*” shall not constitute dedicated revenue.

-**“Extraordinary revenue”**- is any revenue of a budget organization or public authority that is attributable to a single act of that budget organization or public authority or other single event that occurs less frequently than annually, such as the sale of an asset, the issuance of a license, the award of a concession contract, or a temporary surge in the price of a natural resource or commodity.

-**“Designated entity”**- means an entity identified in Schedule A to the present law, unless such entity has been fully privatized.

-**“General Director of Treasury”**- means the person identified in paragraph 5 Article 4 of this Law.

-**“GFS”**- means Government Finance Statistics.

-**“Financial Officer”**- means and includes a Chief Administrative Officer, an Internal Auditor, a Chief Financial Officer, a Procurement Officer and a Certifying Officer.

-**“Fiscal year”**- means the period from January 1 of a year to December 31 of the same year;

-**“General operating grant”**- means an amount appropriated to a municipality that may be used by the municipality for any purpose relating to its municipal competencies.

-**“Government”**- means the Government of the Republic of Kosovo.

- “Grants Commission”**- has the meaning specified in the Law on Local Government Finance.
- “Head of a budget organization”**- means the individual holding the highest-ranking position in a budget organization.
- “ICR”**- means the International Civilian Representative or, in the absence of thereof, the Assembly.
- “IFAC”**- means the International Federation of Accountants.
- “Investment Manger”**- means any outside Investment Manager engaged by the Treasury pursuant to Article 7 of this Law.
- “Independent agency”**- means a public authority that has been designated, by the Constitution or by a law or UNMIK Regulation, as being an independent institution, an independent body, an independent agency, an independent regulatory agency or an independent executive agency.
- “Kosovo Consolidated Budget”**- means the overall budget of Kosovo for all budget organizations.
- “Kosovo Consolidated Fund”**- means the fund that was first established pursuant to UNMIK Regulation 1999/16, as amended, or the account or the consolidated group of accounts defined in the Treasury Accounting Record for the purposes of receiving deposits and making payments of public money and any interest accrued thereon; provided however, that this term shall not include any grant or donation from an international or other organization or a foreign government where such grant or donation is subject to a condition that it shall not be included in the Kosovo Consolidated Fund.
- “LLGF”**- means the Law on Local Government Finance.
- “Ministry”**- means the Ministry of Economy and Finance.
- “Minister”**- mean the Minister of Economy and Finance.
- “Municipality”**- means any of the basic territorial units of local self-government in Kosovo operating under the authority of the Law on Local Self Government, as amended, or any successor legislation thereto, and any successor unit of local self-government in Kosovo.
- “Municipal competencies”**- means the areas of local competence that are specifically assigned to the concerned municipality by the applicable primary legislation on local self-government.
- “Municipal Department”**- means any department within a municipal administration.
- “Municipal Own Source Revenues”**- shall have the meaning specified in the LLGF.
- “Official bank account”**- means an account or sub-account that has lawfully been established by the General Director of Treasury within the TSA for the purpose of receiving or handling deposits of public money.

-**“Person”**- means a natural person or an undertaking.

-**“FMC Rules”**- shall have the meaning specified in paragraphs 3 and 4 of Article 6 of this Law.

-**“FMC Advisory Committee”**- means a committee consisting of the General Director of the Budget Department, the Head of the Accounting Standards Board, the Minister of Local Government or his/her representative, the Auditor General or his/her representative, the General Director of the Treasury and the Head of the Legal Office of the Ministry of Economy and Finance.

-**“Public authority”**- means any of the following: (i) any public body, authority or agency that exercises, pursuant to an authorization in a law or an UNMIK regulation, executive, legislative, regulatory, public-administrative or judicial powers, and includes (ii) any department or other part or subunit of such a public body or authority.

-**“Public-Private Partnership Contract”**- means a concession contract, as that term is defined in the Law on the Procedure for the Award of Concessions, including all related documents, sub-agreements and side agreements that requires implicit or explicit budget support. The term “budget support” means public financial or economic support provided by a public authority in the form of a guarantee, a credit enhancement, a direct contribution or subsidy, a financial commitment or an acceptance of a contingent liability.

-**“PPPU”**- means the Public-Private Partnership Unit established within the Ministry of Economy and Finance.

-**“Public undertaking”**- means (i) any designated entity and (ii) any other undertaking that is (a) publicly owned or has been established with public funds or pursuant to public law, and (b) is not a public authority or part of a public authority.

-**“Autonomous Public Undertaking”**- means (i) any designated entity, and (ii) any other public undertaking that operates with substantial autonomy. For the purposes of this definition, a public undertaking shall be considered to be operating with “substantial autonomy” if it is not subject to direct managerial control by a public authority; provided, however, if the management of a public undertaking is merely subject to supervision by a public authority, this in itself shall not be sufficient to conclude that the public undertaking is subject to direct managerial control by that public authority.

-**“Controlled Public Undertaking”**- means any public undertaking that is not an “autonomous public undertaking”.

-**“Public money”**- has the meaning specified in Article 2 of this Law.

-**“Senior public appointee”**- shall have the meaning specified in UNMIK Regulation 2001/36 of 22 December 2001, “On the Kosovo Civil Service”.

-**“Treasury”**- means the Treasury Department within the Ministry of Economy and Finance referred to in Article 4 of this Law.

-“Treasury Single Account”- or “TSA” shall mean the system consisting of all accounts and sub-accounts that are held in the name of the Treasury at the CBAK or a commercial bank.

-“Undertaking”- means any body, establishment, institution, association, enterprise, business organization, legal entity, or other organization.

1.2 A “financial statement” required by the present law shall comply with IFAC’s cash based International Public Sector Accounting Standards and include: (i) a Consolidated Statement of Cash Receipts and Payments, (ii) a Statement of Comparison of Budgeted and Actual Amounts Received and Expended, (iii) Notes to the Financial Statements, (iv) a Statement of Cash Assets and Fund Balances, (v) a Statement of Outstanding Invoices (liabilities), (vi) a Statement of Unjustified Advances and Loans, and (vii) a Statement Disclosing Non-financial Assets and Contingent Liabilities. The Treasury shall have the authority and responsibility to issue specific instructions on the criteria that financial statements required by the present law must meet; and the Treasury shall amend its Treasury Accounting Manual accordingly.

1.3 References in the present law to any other law or regulation shall be interpreted as including any amendments or successor legislation thereto.

Article 2 Public Money

2.1 In the present law, “public money” means money or financial assets received by, in the custody of, held in trust by, or under the control of (i) any budget organization, public authority, or controlled public undertaking, or (ii) person for or on behalf of any of the foregoing. The term “money or financial assets” as used above includes, but is not limited to, cash, coins, cash equivalents, checks, notes, bonds, highly liquid financial instruments and highly liquid movable physical assets (such as precious or semi-precious gemstones or bars or ingots made of precious metals).

2.2 Public money includes, but is not limited to:

- a) taxes, fees, duties or user charges;
- b) interest, dividends or other payments;
- c) proceeds from the sale, rental or lease of any type of property of any description;
- d) regulatory fees, licensing fees and similar fees and charges;
- e) payments, fees and charges for services provided, goods supplied or works performed;
- f) proceeds received or arising, directly or indirectly, from the licensing or selling of any rights involving a public resource, including – but not limited to - radio spectrum rights, land use rights, natural resource exploration or exploitation or use rights, and intellectual property rights;
- g) royalties;
- h) security and escrow deposits;
- i) fines, damages from civil actions, and insurance proceeds; and
- j) grants and donations from international organizations, foreign governments, or any other source.

2.3 All public money shall be deposited in the Kosovo Consolidated Fund in accordance with the FMC Rules and, public money may only be used or expended after it has been duly appropriated in accordance with this Law.

2.4 All transactions involving funds within the KCF shall be conducted through the TSA.

2.5 Paragraph 3 of this Article shall be strictly observed by all persons, budget organizations, public authorities and public undertakings. In the event of any conflict between paragraph 3 of this Article and the provision of any other law, regulation or normative or sub-normative act, paragraph 3 of this Article shall prevail; provided, however, that financial assistance to a municipality from the Republic of Serbia may be deposited in a commercial bank account as provided for in the LLGF .

2.6 In particular, if any provision of any law or UNMIK regulation establishes or authorizes the establishment of a separate fund or special purpose fund for any item of public money, such fund shall be established as a separate account or sub-account within the Kosovo Consolidated Fund, and the public money held in such account shall be fully subject to paragraph 3 of this Article. Any provision in a normative or sub-normative act, other than a law or an UNMIK Regulation, establishing or authorizing the establishment of such a fund shall be unlawful, null and void.

2.7 As a limited exception to item (ii) of paragraph 3 of this Article, for those items of public money in which the payer or remitter retains a right of return (such as a security or escrow deposit or the like) the Treasury shall develop special rules – in accordance with other applicable legal requirements - governing the handling and return of such items.

2.8 Notwithstanding anything in this Article 2 to the contrary, it is specifically provided that money or financial assets held in trust by the KTA or the KPST under the authority of a law or an UNMIK Regulation shall not be “public money.”

Article 3

Enforceability of Claims and Obligations

All public authorities, budget organizations and public undertakings, when conducting any activity or accepting any obligation that directly or indirectly involves or affects the use of public money or public resources, shall strictly comply with the applicable provisions of the present law. No obligation arising out of a document, agreement or arrangement shall be valid or enforceable if the document, agreement or arrangement creating or giving rise to such obligation has been created, accepted or concluded in a manner that fails to comply with the applicable provisions of this Law.

PART II

Officials and Institutions of Public Financial Management

CHAPTER I

Officials and Institutions at the Ministry

Article 4

Treasury Department

4.1 A Treasury Department (“Treasury”) shall be established within the Ministry of Economy and Finance and shall be responsible for managing the Kosovo Consolidated Fund and for discharging all other responsibilities assigned to the Treasury by this Law.

4.2 The Treasury shall operate with substantial autonomy and be responsible for its own organization and staffing, including the hiring of its own Financial Officers. Notwithstanding the foregoing, the General Director of the Treasury:

- a) shall ensure that the administrative, operational and personnel policies of the Treasury conform to those lawfully in force at the Ministry;
- b) shall coordinate with the CAO of the Ministry of Finance and Economy to ensure that administrative reports and submissions required to be prepared by the Ministry, including Annual Reports, are complete in relation to the activities of the Treasury; and
- c) may enter into an agreement with the CAO of the Ministry with respect to the sharing of the services of the Ministry’s CFO, Procurement Officer, Internal Auditor and/or Certifying Officer.

4.3 The Treasury is required to provide detailed quarterly reports to the Minister regarding its operations. The Treasury is also required to promptly respond to any specific request made by the Minister for information regarding any particular aspect of its operations.

4.4 It shall be a violation of the present law for any person to exert or to attempt to exert any improper political, administrative or other influence over the Treasury or its staff or management personnel; provided, however, that this proscription shall not apply to any communications or efforts made or undertaken for the purpose of promoting the Treasury’s proper implementation of the present law or another law.

4.5 The Treasury shall be headed by a General Director. The Minister shall have the authority, subject to the written consent of the ICR, to appoint the General Director. Both the Minister and the ICR shall first ensure that the concerned person (i) has significant experience in banking and/or financial payments operations and (ii) has not been convicted of any criminal offense, (iii) performs no leadership or other significant function for any political party, and (iv) otherwise possesses a suitable moral character and professional background.

4.6 The General Director shall serve for a five-year term. The General Director may be re-appointed for one or more additional five year terms. The Minister may, with the written consent of the ICR, remove the General Director from that position prior to the expiration of such five-year term only for good and justifiable reasons, which may include any of the following:

- a) the General Director has repeatedly demonstrated that he/she lacks the necessary competence to professionally administer the Treasury and its operations;
- b) the General Director has failed to exercise reasonable professional diligence in ensuring that his/her acts and the acts of other Treasury personnel are consistent with and authorized by law;

- c) the General Director has repeatedly failed to comply with his/her obligations under items (a) and/or (b) of paragraph 2 of this Article;
- d) the General Director has engaged in any act involving a conflict-of-interest; or
- e) the General Director has permitted any other Treasury personnel to engage in any act that the General Director knew involved a conflict-of-interest or that the General Director, through the exercise of reasonable managerial diligence, should have known involved a conflict-of-interest.

4.7 If the Minister, after receiving the consent of the ICR, exercises his/her authority to remove the General Director, the Minister shall provide the General Director with a written statement setting forth in detail all of the Minister's reasons for taking such action along with a copy of the ICR's consent to such action. If the person so removed believes that the action was without lawful justification, such person may apply to the competent court to review the matter; and such court shall have the authority to take whatever remedial action, if any, that it deems lawful and appropriate.

4.8 The General Director (i) shall not engage in any political activity and shall remain neutral on all political matters, (ii) shall be a senior public appointee; provided, however, that the rules governing his/her appointment and removal shall be as specified in this Article 4.

4.9 The General Director shall be obligated to provide an annual report to the Minister, the Assembly, the Government, municipalities and the ICR on all matters relating to the operation of the Treasury and the implementation of the FMC Rules and the Kosovo Consolidated Budget. Each such report shall include a Article that (i) describes the most significant problems with the Treasury's operations and the implementation of the FMC Rules and the Kosovo Consolidated Budget, and (ii) provides the General Director's recommendations on possible solutions to the problems described.

4.10 In addition to the annual report required by paragraph 9 of this Article, the General Director shall, at any time when a significant problem affects the Treasury's operations, make an immediate report to the persons and institutions specified in paragraph 9 of this Article.

Article 5

Budget Department

5.1 A Budget Department shall be established under the Ministry of Economy and Finance. The Budget Department shall be headed by a General Director, who shall be a senior public appointee. The Budget Department shall have two separate units: (i) a central budget unit and (ii) a municipal budget unit. Each such unit shall be headed by a senior public appointee.

5.2 Except as may otherwise be directed by the Minister, the central budget unit of the Budget Department shall have the authority and be responsible for (i) developing a proposed Kosovo Consolidated Budget, (ii) preparing the Medium Term Expenditure Framework, (iii) implementing the Kosovo Consolidated Budget, (iv) assessing requests

for changes to appropriations, and (v) discharging all other responsibilities assigned to the Budget Department by law.

5.3 Except as may otherwise be directed by the Minister, the municipal budget unit of the Budget Department shall have the authority and be responsible for (i) assisting municipalities fulfill budget-related obligations imposed on them by the present law, and (ii) discharging all other responsibilities assigned to the Budget Department by law.

Article 6

Other Departments and Units

6.1 An Economic Policy Department shall be established under the Ministry of Finance and Economy. The Economic Policy Department shall be responsible for macroeconomic and fiscal forecasting and for formulating proposed overall budgetary parameters for the Kosovo Consolidated Budget and medium-term budgetary policy. The Economic Policy Department may also make fiscal risk analyses and scenario planning under different macro-projections.

6.2 A Central Harmonization Unit on Internal Audit (CHU on Internal Audit) shall be established under the Ministry of Finance and Economy in accordance with the Law on Internal Audit. In addition, the Ministry shall have its own Internal Audit Unit or Internal Auditor, which shall be separate and distinct from the CHU on Internal Audit, as required by Article 11 of this Law and by the Law on Internal Audit.

6.3 The Ministry shall establish a Central Harmonization Unit on Financial Control (CHU on Financial Control), which shall develop and provide to the Minister a proposed set of detailed Financial Management and Control Rules (the “FMC Rules”) that establish a system of rules on financial management and control for the public sector and the operation of the Financial Management and Accounting System. The FMC Rules shall, inter alia, set forth in detail the binding rules and procedures that must be followed by a public authority, person or undertaking when receiving, handling, transferring, spending or disbursing public money. The FMC Rules shall be consistent with (i) the principles of public internal financial control established by the EC, (ii) IFAC’s international public sector accounting standards, and (iii) the provisions of the present law, the Law on Public Procurement, and any other law of Kosovo governing such matters.

6.4 The FMC Rules shall be promulgated by the Minister; and the Minister shall have the authority, prior to promulgation, to modify the draft FMC Rules received from the CHU on Financial Control as the Minister deems necessary to ensure consistency with the items specified in paragraph 3 of this Article,

6.5 The CHU on Financial Control shall regularly seek the advice and comments of the FMC Advisory Committee concerning the development and implementation of the FMC Rules and any proposed modification thereto. The CHU on Financial Control shall have the responsibility and authority for training and providing on-going advice and assistance to all relevant persons on the content and proper implementation of the FMC Rules.

6.6 The Ministry shall have the responsibility and authority for training and providing on-going advice and assistance to all relevant persons on the content and proper implementation of the FMC Rules.

6.7 A Public-Private Partnership Unit (“PPPU”) shall be established under the Ministry of Finance and Economy. The PPPU shall be an advisory unit that serves as a center of expertise, responsible for evaluating and providing advice and assistance to the Minister and other contracting authorities on proposed Public-Private Partnership Contracts and performing any other functions or responsibilities assigned to it by law.

6.8 The Minister shall have the authority to establish other departments or units within the Ministry, and to reassign responsibilities among the departments and units of the Ministry, as may be reasonably necessary to assist the Ministry in fulfilling its functions and responsibilities under the present law or another law; provided, however, that the responsibilities and functions assigned by the present law to the Treasury may not be reassigned.

Article 7

Investment Manager

7.1 The Minister may assign the responsibility for making and managing Authorized Investments to (i) the CBAK, (ii) professional civil servants hired by the Treasury for that purpose, or (iii) an outside Investment Manager engaged for that purpose. Any such person or institution shall (i) make and manage Authorized Investments in strict compliance with Articles 8 and 9 of this Law and (ii) be subject to the direction and control of the General Director of the Treasury. In the event that the Minister decides to engage an outside Investment Manager, paragraphs 2 and 4 of this Article shall apply.

7.2 If the Minister decides to engage an outside Investment Manager, the tendering process for the Investment Manager shall strictly comply with the Law on Public Procurement. Only the following shall be eligible to submit a tender (i) commercial banks rated AA or higher by an internationally recognized rating agency, (ii) investment banks possessing a similar rating, and (iii) financial management companies possessing a similar rating or demonstrably similar qualifications. Each tenderer shall be required to submit a written confirmation that the acceptance of the Investment Manager position shall create no conflict-of-interest for such tenderer.

7.3 The Treasury’s Procurement Officer shall ensure that the terms of the contract with the Investment Manager (i) specify in detail the compensation to be paid; (ii) impose upon the Investment Manager an obligation to involve at least (3) civil servants within the Treasury in the Investment Manger’s activities and to provide such civil servants with on-going professional investment management training; and (iii) allow the Treasury to terminate such contract, with or without cause, upon thirty (30) days’ prior written notice.

7.4 If, at any time, the General Director of Treasury determines that the Treasury has suitably trained civil servants able to professionally provide investment management services, the General Director of the Treasury may assign the investment management responsibilities to such civil servants in lieu of engaging an outside investment manager

under the previous provisions of this Article 7. In such event, the Ministry shall exercise its right to terminate any Investment Management Contract that is then in force in accordance with such contract's terms.

Article 8

Authority to Invest Public Money

The Treasury shall have the exclusive authority and responsibility for investing public money. Notwithstanding the foregoing, the Minister shall (i) establish the terms and conditions governing the investment of public money and the Treasury's investment activities and (ii) develop an investment policy for public money. Such investment policy shall address counterparty and country-specific risks, and shall include provisions establishing an investment committee.

Article 9

Investment of the KCF

9.1 KCF funds may only be invested in one or more Authorized Investments, which shall consist exclusively of the following:

- a) an interest-bearing current account at the CBAK;
- b) a time deposit at the CBAK;
- c) a money market fund if (a) it is subject to the rules and regulations of the US Securities and Exchange Commission or an EU Supervisory Institution, and (b) its portfolio consists solely of Euro-denominated investment-grade assets;
- d) a bond or other debt security that has been issued by, or is guaranteed by, the United States or an EU member country and that is rated at least "A" by an internationally recognized rating agency;
- e) a deposit with any commercial bank in Kosovo that is insured by the deposit insurance of the CBAK if (i) such bank is rated at least "A" or (ii) its majority shareholder(s) are rated at least "A";
- f) a deposit with any foreign bank that is organized under the laws of an EU member country and that is rated at least "A" by an internationally recognized rating agency; and/or
- g) a repurchase agreement whose underlying purchased securities consist solely of bonds or other securities described in item (iii) above and that are held by a third party custodian.

9.2 Any Authorized Investment shall not have a maturity date that is later than the date by which the public money invested therein is expected to be needed to fund an appropriation.

9.3 Every Authorized Investment must be held in a separately segregated trust account or held under a third party custodian agreement in the name of or for the benefit of the Ministry.

9.4 At least ten percent (10%) of invested public money must be invested in one or more highly liquid Authorized Investments, meaning an Authorized Investment that may

be liquidated upon demand without penalty or that has a maturity date of no more than seven (7) days.

9.5 All funds, including principal and accrued interest, received from the liquidation of an investment of public money shall be deposited in the Kosovo Consolidated Fund.

9.6 All interest that is otherwise received on an investment of public money shall be deposited in the Kosovo Consolidated Fund unless the terms of the underlying investment require such interest to be added to the underlying investment.

CHAPTER II

Financial Officers at Budget Organizations, Autonomous Executive Agencies and Public Undertakings

Article 10

Chief Administrative Officer

10.1 A Chief Administrative Officer shall have principal legal responsibility for ensuring that his/her budget organization, autonomous executive agency or public undertaking, and its personnel, thoroughly and adequately comply with, observe and implement all applicable provisions of the present law and the FMC Rules.

10.2 A Chief Administrative Officer shall, inter alia, be specifically responsible for

- a) establishing internal financial controls within the budget organization, autonomous executive agency or public undertaking in accordance with the FMC Rules,
- b) delegating functions associated with the collection and expenditure of public money in accordance with the FMC Rules,
- c) establishing an accountability framework for assessing and managing the performance of any personnel who are delegated such functions,
- d) establishing and applying internal disciplinary measures to remedy situations where personnel with such delegated functions are not performing such functions adequately or properly, and
- e) notifying the Auditor General of any circumstances giving rise to a reasonable belief that there has been a violation – by any person or undertaking - of the present law, the FMC Rules or any other law.

10.3 Notwithstanding the foregoing, no provision of this Article shall be interpreted or applied as authorizing a Chief Administrative Officer to interfere with any Financial Officer during the lawful conduct of the duties assigned to such Financial Officer by this law, the FMC Rules or another law.

Article 11

Internal Auditor

11.1 Every budget organization, autonomous executive agency and public undertaking shall comply with all applicable requirements of the Law on Internal Audit, including those provisions imposing a requirement to establish and maintain an Internal Audit Unit or to otherwise procure the services of an Internal Auditor.

11.2 Notwithstanding the foregoing, (i) the CAO of a controlled public undertaking may enter into an agreement with the CAO of the budget organization exercising such control with respect to the sharing of the services of a single Internal Auditor, and (ii) the CAO of an autonomous executive agency may enter into an agreement with the CAO of the budget organization of which it is a part with respect to the sharing of the services of a single Internal Auditor.

11.3 The requirements of the Law on Internal Audit are hereby specifically made fully applicable to autonomous executive agencies, and an autonomous executive agency shall comply with that law to the same extent as any other budget organization.

11.4 If an Internal Auditor is an employee of a budget organization or autonomous executive agency, he/she shall have the status of a civil servant.

11.5 Any Internal Auditor working in an Internal Audit Unit or providing internal audit services shall be deemed a “financial officer” of the concerned budget organization, autonomous executive agency or public undertaking.

Article 12

Chief Financial Officer

12.1 Each budget organization, autonomous executive agency and public undertaking shall have a Chief Financial Officer.

12.2 Notwithstanding the foregoing, (i) the CAO of a controlled public undertaking may enter into an agreement with the CAO of the budget organization exercising such control with respect to the sharing of the services of a single CFO, and (ii) the CAO of an autonomous executive agency may enter into an agreement with the CAO of the budget organization of which it is a part with respect to the sharing of the services of a single CFO.

12.3 Except in the case of the CFO of a public undertaking, a CFO shall have the status of a civil servant.

12.4 Every CFO shall be responsible for the proper and lawful financial operations of the concerned budget organization, autonomous executive agency or public undertaking.

12.5 In the case of the CFO of a budget organization or a autonomous executive agency, such CFO shall have the authority and responsibility for: (i) developing the proposed budget and appropriations request of the budget organization or autonomous executive agency; (ii) ensuring that all transactions are accurately recorded in the Treasury Accounting Record; (iii) ensuring that all legitimate invoices received are promptly submitted for payment through the Treasury system; (iv) overseeing and supervising all aspects of budget reporting; and (v) any function delegated to the CFO in accordance with the FMC Rules. All work of the CFO must strictly comply with the FMC Rules.

Article 13

Procurement Officer

13.1 Each budget organization, autonomous executive agency and public undertaking shall have a Procurement Officer, who shall be responsible for conducting the budget organization's procurement activities in accordance with the Law on Public Procurement.

13.2 A person may only serve as a Procurement Officer if such person holds a current and valid "procurement professional certificate," issued in accordance with the Law on Public Procurement.

13.3 Notwithstanding the foregoing, (i) the CAO of a controlled public undertaking may enter into an agreement with the CAO of the budget organization exercising such control with respect to the sharing of the services of the budget organization's Procurement Officer, and (ii) the CAO of an autonomous executive agency may enter into an agreement with the CAO of the budget organization of which it is a part with respect to the sharing of the services of the budget organization's Procurement Officer.

13.4 Except in the case of the Procurement Officer of a public undertaking, a Procurement Officer shall have the status of a civil servant.

Article 14

Certifying Officer

14.1 Each budget organization, autonomous executive agency and public undertaking shall have a Certifying Officer. The Certifying Officer shall be appointed by and report to the Chief Administrative Officer.

14.2 Notwithstanding the foregoing, (i) the CAO of a controlled public undertaking may enter into an agreement with the CAO of the budget organization exercising such control with respect to the sharing of the services of a single Certifying Officer, and (ii) the CAO of an autonomous executive agency may enter into an agreement with the CAO of the budget organization of which it is a part with respect to the sharing of the services of a single Certifying Officer.

14.3 Except in the case of the Certifying Officer of a public undertaking, a Certifying Officer shall have the status of a civil servant.

14.4 The Certifying Officer shall be responsible for a) ensuring that the applicable terms of a public contract have been fulfilled before any payment under such contract is made or authorized; and b) ensuring that the expenditure of public money under any public contract is done in accordance with the FMC Rules. The Certifying Officer shall also perform any other task required of a Certifying Officer under the FMC Rules.

14.5 The Certifying Officer shall identify and promptly report in writing all events of non-compliance to the Chief Administrative Officer, the CFO and any other senior official of the budget organization, autonomous executive agency or public undertaking. Instances of non-compliance with the Law on Public Procurement shall also be reported to the Auditor General. The Certifying Officer shall maintain comprehensive written records on all such instances of non-compliance for a period of at least seven (7) years.

Article 15
Employing or Engaging Financial Officers

15.1 In the event a Financial Officer position becomes vacant, it shall be filled within ninety (90) days.

15.2 No person may hold more than one financial officer position in any budget organization.

PART III
Collection and Custody of Public Money

Article 16
Receipt of Public Money

16.1 No public authority, person or undertaking shall receive public money unless specifically authorized to do so by a law or an UNMIK regulation or by the General Director of Treasury in writing.

16.2 All receipts of a public authority or a controlled public undertaking shall be deposited into an official bank account in accordance with the FMC Rules; provided, however, that financial assistance to a municipality from the Republic of Serbia may be deposited in a commercial bank account as provided for in the LLGF.

16.3 All public money (including money that becomes public money upon receipt) shall be immediately deposited into an official bank account established or designated by the Treasury. The depositing of public money shall be done in accordance with the FMC Rules.

Article 17
Expenditure of Public Money

17.1 Public money shall only be used for approved public purposes. No public authority, budget organization, person or undertaking may divert, misapply, improperly dispose of or improperly use public money.

17.2 An expenditure or other use of public money shall only occur from appropriated and allocated funds and only in conformity with the process that, in accordance with paragraph 2 Article 38 of this Law, has been established by the FMC Rules.

Article 18
Accounts Within the Kosovo Consolidated Fund

18.1 The General Director of Treasury shall have the authority to establish and maintain such accounts and sub-accounts for funds within the Kosovo Consolidated Fund as he/she may deem reasonably necessary to implement the provisions of the present law. Separate sub-accounts shall be established for each municipality's own source revenue.

All such accounts and sub-accounts shall be part of the TSA. All payments and expenditures of public money shall be made through the TSA.

18.2 The General Director of the Treasury shall establish the accounts and sub-accounts constituting the TSA at the CBAK or, if the General Director is unable to do so, at a bank that is selected in accordance with a tender process that complies with the Law on Public Procurement; provided, however, that only a bank meeting the criteria established in item (e) or (f) of paragraph 1 of Article 9 of this Law shall be eligible to submit a tender.

18.3 The General Director of the Treasury is specifically authorized to establish and maintain trust accounts for the handling of public money that is to be held in trust.

18.4 The relationship between the CBAK and the Treasury shall be elaborated in an inter-agency agreement that sets forth the CBAK's responsibilities in connection with its administration of the TSA and the management of the KCF.

PART IV

Preparation and Contents of the Proposed Kosovo Consolidated Budget

Article 19

Preparation of the Medium Term Expenditure Framework

19.1 As soon as practicable during fiscal year 2008, and no later than April 30 beginning in fiscal year 2009, the Government shall have submitted to the Assembly a Medium Term Expenditure Framework ("MTEF") covering the next fiscal year and estimates for the two following fiscal years (the "MTEF Budget Period"). The MTEF shall contain:

- a) macroeconomic and fiscal forecasts for the MTEF Budget Period, including main economic indicators such as inflation, GDP and exchange rates;
- b) an analysis of tendencies in allocation of financial resources and an analysis of budget expenditures by main economic category;
- c) forecasts of domestic debt for the MTEF Budget Period;
- d) estimated resources required to service internal and external debt during the MTEF Budget Period;
- e) an analysis of capital investment tendencies financed from the budget and an assessment of their volume for the MTEF Budget Period;
- f) a review of salary policy for the MTEF Budget Period;
- g) an analysis of the tendencies in the employment and wage bill in the budget sector and an assessment of the impact of any wage reform policy;
- h) a proposal for adjusting wage bill policy to the general macro-fiscal framework set in the MTEF for the purpose of assuring corresponding financial support;
- i) estimated expenditure ceilings for each budget organization that is not a municipality or an independent agency with dedicated revenue;
- j) estimated grant levels for each municipality calculated in accordance with the formulae established in the LLGF; and
- k) any other information the Minister may desire to include.

19.2 The Minister shall update the MTEF prior to its submission with the KCB by the date specified in paragraph 1 Article 22 of this law.

Article 20

Preparation and Review of Proposed Budgets and Appropriation Requests

20.1 The Minister shall have the authority and responsibility to issue, in accordance with paragraph 3 of this Article, budget circulars to any and/or all budget organizations providing instructions on the development of the Kosovo Consolidated Budget.

20.2 The Minister shall, on or before the applicable date specified in paragraph 3 of this Article, issue to the Chief Financial Officer of each budget organization one or more budget circulars providing information and instructions on (i) the expenditure ceiling specified in the MTEF for such budget organization for the next fiscal year and non-binding estimates for the following two fiscal years, (ii) for a municipality, the grant levels specified in the MTEF and calculated according to the LLGF, and (iii) the methodology and formats to be used by the budget organization in preparing its proposed budget and appropriations request for the next fiscal year. Such budget circulars shall include:

- a) the procedures to be used by the budget organization in preparing its proposed budget and appropriations request;
- b) the information that must be set forth in such proposed budget and appropriations request;
- c) details on the format in which such proposed budget and appropriations request must be prepared;
- d) the date by which the budget organization must complete and submit to the Ministry such proposed budget and appropriations request in accordance with paragraph 3 of this Article; and
- e) any other instructions or information requirements that the Minister considers advisable to include.

20.3 The Minister shall issue the budget circular(s) required by paragraph 2 of this Article by April 30 of the then current fiscal year. The date by which municipalities must complete and submit their proposed budgets and appropriations requests shall be September 30 of that year. For budget organizations that are not municipalities, the deadline for submitting such documents shall be as specified in the budget circular.

20.4 Each budget organization shall be responsible for preparing and submitting to the Minister its proposed budget and appropriations request in accordance with (i) the applicable expenditure ceiling, if any; (ii) the information and instructions contained in the budget circular(s); and (iii), in the case of a municipality, the applicable grant amounts calculated in accordance with the formulae specified in the Law on Local Government Finance.

20.5 Neither the Minister nor the Government shall modify a proposed budget or appropriations request submitted by a municipality if such document complies with the requirements of paragraph 4 of this Article and has been approved by the municipal assembly. If a proposed budget or appropriations request submitted by a municipality

does not comply with the requirements of paragraph 4 of this Article, the Minister shall return such documents to the concerned mayor and municipal assembly with an explanation of the deficiencies that must be corrected. If a municipality has not submitted, by the date specified in paragraph 3 of this Article, a proposed budget and an appropriations request that comply with such requirements, the provisions of Article 62 of this Law shall apply.

20.6 If an independent agency fails to timely submit a proposed budget and appropriations request by the date specified in paragraph 3 of this Article, the provisions of paragraph 4 of Article 65 of this Law shall apply.

20.7 In the case of proposed budgets and appropriations requests submitted by budget organizations other than independent agencies and municipalities, once the time limit specified Article paragraph 3 of this 20 has expired, the Budget Department shall (i) take whatever action, if any, that may be necessary to bring such documents into conformity with the requirements of paragraph 4 of this Article, and (ii) submit such documents to the Minister with the Budget Department's recommendations.

20.8 The Minister shall prepare and deliver to the Government, prior to the date specified in Article paragraph 1 of Article 22: (i) a proposed Kosovo Consolidated Budget for the next fiscal year and non-binding estimates for each of the two (2) following fiscal years, (ii) a proposed Appropriations Law for the next fiscal year, and (iii) the updated MTEF.

20.9 The proposed Appropriations Law shall establish appropriations for all budget organizations and shall set out:

a) in the case of an appropriation for a budget organization, the classification of each such expenditure in accordance with the applicable classification methodology; including actual aggregate expenditures for the previous fiscal year, and estimated actual aggregate expenditures for the current fiscal year;

b) in the case of an appropriation for a payment related to a debt permitted by the present law, the amount (if any) appropriated:

(i) for the payment of interest, or other amount in the nature of interest, on the debt;

(ii) for the repayment of the principal amount of the debt;

(iii) for the payment of penalties or other amounts assessed for late payment, if any; and

(iv) for the payment of any other amounts in respect of the debt, if any; and

c) in the case of contingency expenditures, a proposed appropriation not exceeding five percent (5%) of total expenditures.

Article 21

Preparation and Submission of the Kosovo Consolidated Budget

21.1 The presentation of financial information, such as receipts, expenditures and financing, in the proposed Kosovo Consolidated Budget and the format of the documentation therein shall be comprehensive, transparent and consistent with the GFS cash basis classification system published from time-to-time by the IMF. The Minister shall prepare and deliver to the Government, prior to the date specified in paragraph 1 of

Article 22, a proposed Kosovo Consolidated Budget setting forth the following information:

a) an overview of the economic environment in which the budget was prepared and recommendations for a short and medium term fiscal strategy;

b) an explanation of all key economic assumptions used when developing the budget;

c) a statement of the objectives and priorities of the Government in preparing the budget;

d) for the upcoming fiscal year and at least the two following fiscal years, estimates and projections with respect to:

(i) the total revenues of budget organizations, including dedicated revenue and projected user fee receipts, and the source of all such revenues;

(ii) the total expenditures, in aggregate by economic, functional and/or program category;

(iii) the total budget deficit or surplus target;

(iv) estimates of anticipated expenditures in future fiscal years towards the cost of capital acquisitions that took place in prior fiscal years or that are proposed to take place in the upcoming fiscal year;

(v) expected future receipts from grants committed by foreign governments or international organizations as general budget support; and

(vi) an explanation of any material differences between such estimates and projections and the estimates and projections contained in the most recently published MTEF;

e) the approved number of temporary and permanent employees of budget organizations to be paid from appropriations in the upcoming fiscal year;

f) if a budget deficit is foreseen in any fiscal year, a detailed description of:

(i) the proposed method of financing such deficit;

(ii) anticipated borrowings, including details on the expected sources of the borrowed funds and the terms expected to apply to the use and repayment thereof; and

(iii) a description of the consequences that such deficit financing will have on public expenditures in subsequent fiscal years;

g) detailed projections of all receipts expected by designated entities during the upcoming fiscal year; and

h) a mission statement and performance plan setting forth:

(i) a definition of each budget organization's mission;

(ii) a list of the measurable goals that are to be used to evaluate the success of a budget organization in achieving its mission;

i) a capital program setting forth a multi-year capital investment plan that identifies and includes the highest priority needs and proposed capital projects for the upcoming fiscal year and estimates of the financial impact on future years of such projects;

j) estimates of any monetary amounts that are expected to be provided by international organizations or foreign governments for the benefit of Kosovo that are not to be included in the Kosovo Consolidated Fund; and

k) information on budgetary surpluses, investments and liabilities, including:

(i) details of the investment strategy of Kosovo for public money to be invested in the upcoming fiscal year;

- (ii) details of any existing borrowings and guarantees by budget organizations and any borrowings or guarantees that budget organizations propose to make during the upcoming fiscal year;
 - (iii) details of the estimated amount of all contingent liabilities of budget organizations, with a specific identification of those that have a significant potential to give rise to actual liabilities during the upcoming fiscal year;
 - (iv) detailed multi-year debt service estimates; and
- l) for each of the next three fiscal years, the estimated net cost, in terms of forgone receipts, of each provision of a law or UNMIK regulation establishing a tax exemption, reduction or concession; and
- m) any other information or views that the Minister desires to include.

Article 22

Submission to the Assembly of the Proposed Kosovo Consolidated Budget and Proposed Appropriations Law

22.1 Once the Government has approved a proposed Kosovo Consolidated Budget and a proposed Appropriations Law, the Government shall submit such documents to the Assembly no later than October 31 of the then current fiscal year.

22.2 The Minister shall have the right to receive adequate notice of, and to participate in, any hearing held by an Assembly committee with respect to any aspect of a proposed Kosovo Consolidated Budget or a proposed Appropriations Law.

Article 23

Priority of Capital Projects

Upon the approval by the Assembly of a capital project, the Ministry and Assembly shall make securing the funding and making the appropriations needed to adequately and timely finance such capital project the highest priority under current and future Kosovo Consolidated Budgets and Appropriations Laws.

Article 24

Appropriations in the Absence of an Appropriations Law

24.1 Subject to paragraph 2 of this Article, if an Appropriations Law for a fiscal year is not adopted by the Assembly and duly promulgated by the person having such promulgation authority prior to the commencement of such fiscal year, the Appropriations Law applicable to the previous fiscal year shall be treated:

- a) if a general election of the members of the Assembly has been held less than four (4) months prior to the commencement of such fiscal year: (i) as if it has been extended to cover the first two (2) months of such fiscal year; and (ii) as if it provides an appropriation to each budget organization that is equal to sixteen and two-thirds percent

(16.67%) of the appropriations provided to such budget organization by such Appropriations Law; or

b) if there has been no such election within such period: (i) as if it has been extended to cover the first month of such fiscal year; and (ii) as if it provides an appropriation to each budget organization that is equal to eight and one-third percent (8.33%) of the appropriations provided to such budget organization by such Appropriations Law.

24.2 Only the Assembly, by a duly adopted resolution, may authorize a further extension of the Appropriations Law applicable to the previous fiscal year. And in no event may an Appropriations Law applicable to the one fiscal year be extended to cover more than three (3) months of the following fiscal year.

24.3 If the extension provided for in paragraph 1 of this Article or in an Assembly resolution adopted in accordance with paragraph 2 of this Article has expired, and no Appropriations Law has been adopted for the current fiscal year, then no budget organization or other public authority shall make or authorize any expenditure or payment until such an Appropriations Law is adopted; provided, however, that the Ministry and the Treasury shall continue to have the authority to make payments on any outstanding public debt that has lawfully been incurred in accordance with Part IX of the present law as such payments become due.

24.4 Any appropriations authorized by paragraph 1 of this Article shall cease to have any force or effect on the date on which a new Appropriations Law becomes effective; and all expenditures made under the authority of appropriations authorized by paragraph 1 of this Article shall be treated as expenditures made under the authority of appropriations authorized by the new Appropriations Law.

PART V

Revised and Supplementary Appropriations Laws and Budgets

Article 25

Revised Appropriations Laws and Budgets

25.1 The Minister may prepare proposed amendments to a Kosovo Consolidated Budget and an Appropriations Law, except to provisions thereof that relate to independent agencies, that are in force if he/she has substantial reasons to believe:

a) that receipts or expenditures for the fiscal year will be materially less or greater than those anticipated in such budget and Appropriations Law; provided, however, that a single extraordinary revenue event shall not provide the Minister justification for invoking this provision; or

b) that the Assembly is likely to amend or repeal an existing law or to adopt a new law, and such action is expected to increase or reduce receipts or expenditures for the current fiscal year.

25.2 In preparing any such proposed amendments, the Minister shall consult with the budget organizations that will be affected thereby. The Minister shall then submit the proposed amendments to the Government along with an updated MTEF. Thereafter, the

approval process for such proposed amendments shall be substantially the same as that provided for in Articles 20.8 and 22; provided, however, that the reference in those Articles to specific dates shall be ignored; and, provided further, that if such proposed amendments are to apply only to the remaining part of the fiscal year, the amendments shall so provide.

Article 26
Proposed New Laws or Amendments to
Laws

26.1 Whenever the Government is considering to propose a new law or an amendment to an existing law to the Assembly, the Government shall first require the sponsoring ministry or body to submit to the Government and the Ministry of Economy and Finance a budgetary and economic impact statement that provides a detailed assessment of the likely effects that such proposed legislation will have on the Kosovo Consolidated Budget and the economy of Kosovo. The Budget Department, in cooperation with the Economic Policy Department, shall review such statement and provide the Government with their independent opinion on such matters. If the proposed law or amendment would assign new responsibilities to municipalities, the Ministry of Local Government shall also provide the Government with its opinion after consulting with municipalities. If the Government approves such proposed legislation and transmits it to the Assembly for consideration, the Government shall provide the Assembly with such statement.

26.2 Where the Government is developing a draft law for submission to the Assembly, and such draft law will require the expenditure of public money in the fiscal year during which such law is adopted, the Minister shall prepare and submit to the Government, for transmission to the Assembly with the draft law, a report indicating the source or sources of funding.

PART VI
Rules On Appropriations

Article 27
Appropriations Lapse at the End of the Fiscal Year

All appropriations for a fiscal year shall lapse at midnight of December 31 of that fiscal year; provided, however, that any appropriations relating to any unspent own source revenues of a municipality shall carry forward for such municipality into the following fiscal year.

Article 28
Bank Fees and Charges

All bank fees and charges arising in connection with the maintenance or usage of accounts of the Kosovo Consolidated Fund or the making or management of investments of budget organizations shall be paid from the appropriations of the Ministry of Finance and Economy.

Article 29
Contingent Expenditures

29.1 Subject to paragraph 3 of this Article, if an event occurs that requires urgent or unforeseen expenditures, a budget organization may apply to the Minister for additional funds to cover such expenditures. Such an application must (i) state the circumstances giving rise to the request, (ii) explain why those circumstances could not have been foreseen, (iii) identify the proposed uses of the requested funds, (iv) explain how such uses contribute to the achievement of the budget organization's mission, goals and objectives, and (v) what other appropriations of the budget organization can be reduced to meet the unforeseen funding need contribute, and the consequences that would result from such reductions.

29.2 Upon receipt of such an application, the Budget Department shall review it and make recommendations to the Minister.

29.3 The Minister may only authorize expenditures from the contingency appropriation with the prior written approval of the Government.

Article 30
Adjustments to Appropriations of a Budget Organization

30.1 A budget organization may, without obtaining the approval of the Minister, transfer up to five percent (5%) of one appropriation of that budget organization to another appropriation of that budget organization during any fiscal year; provided, however, that no such transfer may be made into the wages and salaries appropriation without the approval of the Minister and, if applicable, the Government or Assembly as provided in paragraph 3 and 4 of this Article.

30.2 The Minister 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; provided, however, that the part so transferred shall not exceed fifteen percent (15%) of the negatively affected appropriation.

30.3 If the head of the budget organization requests the Minister to authorize the transfer of an amount greater than fifteen percent (15%) but less than twenty-five percent (25%) of the negatively affected appropriation, the Minister may authorize such a transfer only after first obtaining the written approval of the Government.

30.4 If the head of the budget organization requests the Minister to authorize the transfer of an amount equal to twenty-five percent (25%) or more of the negatively affected appropriation, the Minister may authorize such a transfer only after first obtaining the approval of the Assembly.

30.5 Notwithstanding the foregoing provisions of this Article, the mayor of a municipality may, with the prior approval of the municipal assembly, transfer an amount provided under one appropriation of that municipality to another appropriation of the municipality; provided, however:

- a) no transfer shall be made of any amount provided to a municipality under a specific operating grant without the prior approval of the Minister and - if applicable - the Government or the Assembly as provided in Articles 30.3 and 30.4;
- b) no transfer shall be made into any appropriation for wages and salaries without the approval of the Minister and - if applicable - the Government or Assembly as provided in paragraph 3 and 4 of this Article; and
- c) the mayor shall immediately provide a written notice to the General Director of the Budget Department of any transfer made under the authority of this Article 30.5.

Article 31

Adjustment of Appropriations on Change of Responsibility

31.1 Where an appropriation relates to a specific responsibility of a budget organization, and such responsibility is lawfully transferred or delegated to a different budget organization, the Minister shall transfer, as may be required under the circumstances, all or part of such appropriation from the former budget organization to the latter.

31.2 The Minister shall not, however, make a transfer of any part of such an appropriation if the transfer or delegation of the concerned responsibility is not clearly authorized by a law or UNMIK regulation.

Article 32

Transfers of Goods and Services between Budget Organizations

32.1 Where a budget organization acquires goods or services from another budget organization, the budget organization providing the goods or services shall require the budget organization acquiring the goods or services to pay for such goods and services on a cost-recovery basis.

32.2 When a payment is made under paragraph 1 of this Article, the receipts will automatically become dedicated revenue of the budget organization providing the goods or services.

Article 33

Procurement and Payment on Behalf of a Budget Organization

33.1 Where a budget organization arranges for the procurement of goods or services that are to be provided, or that have been provided, for the benefit of another budget organization, the budget organization that arranges for the procurement shall submit to the General Director of Treasury (i) a delegated expenditure notice indicating the budget organization for which the procurement was made and (ii) the written consent of the CAO of the budget organization for which the procurement was made.

33.2 Where payment is made on the basis of a delegated expenditure notice described in paragraph 1 of this Article, the amount paid shall be treated as a payment from the funds appropriated to the budget organization for which the procurement was made.

PART VII
Commitments, Allocated Funds, Committed Funds, Obligated Funds and Expenditures

Article 34
Contracts Creating a Liability to Make Payments in the Current or Future Fiscal Years

34.1 The Chief Financial Officer of a budget organization shall inform the General Director of Treasury of (i) any contract entered into by the budget organization and any modification to a contract previously entered into by the budget organization if the contract obligates the budget organization to make payments from public money in the current fiscal year or in future fiscal years, and (ii) any non-contractual payment obligation of the budget organization as described in paragraph 3 of this Article.

34.2 The General Director of Treasury shall maintain records of each budget organization's contractual and non-contractual payment obligations.

34.3 A non-contractual payment obligation is a payment obligation that a budget organization would be required to fulfill in future years if the existing programs and sub-units (administrative and functional) of such budget organization were to be continued and funded in such future years at the same level and to the same extent as in the current fiscal year.

Article 35
Allocated Funds

35.1 Within thirty (30) days after the approval by the Assembly of an Appropriations Law, every budget organization shall prepare and submit to the General Director of the Treasury a proposed allocation plan that details its reasonably expected allocation needs over the concerned fiscal year. Every such plan shall be fully consistent with the appropriations specified in the Appropriations Law.

35.2 Where an appropriation has been made, the General Director of Treasury shall provide the concerned budget organization with the authority to make expenditures under that appropriation by:

- a) making, on a quarterly basis, an allocation of funds from the Kosovo Consolidated Fund to be expended under such appropriation; such funds shall become the "allocated funds" for that appropriation; and
- b) as the amount of allocated funds for an appropriation changes, providing to the concerned budget organization, as needed, a notice specifying the level of funds currently allocated for expenditure in respect of the appropriation.

35.3 In exceptional cases, where economic circumstances require, the General Director of the Treasury may provide a budget organization with the authority to make certain expenditures on a more accelerated basis than provided for in paragraph 2(a) of this Article.

35.4 As additional funds become available to be expended in respect of the appropriation, the General Director of Treasury shall make a commensurate change in the level of the funds allocated for the appropriation and provide a notice of such change to the budget organization.

35.5 An allocated funds notice shall remain in effect until the end of the fiscal year, unless amended earlier by the General Director of the Treasury.

Article 36 Reduction of Allocated Funds

36.1 Except as provided in paragraph 2 of this Article, the Minister may direct the General Director of the Treasury to reduce the level of funds allocated in respect of an appropriation that has been authorized under an Appropriations Law if :

- a) the Minister makes a determination that such reduction has been made necessary by (i) a macroeconomic shock that results in reduced revenue collections, (ii) a natural disaster or (iii) the suspension or cancellation by the Government of the program or project to which the allocation relates, and
- b) the Minister receive a written authorization from the Government approving the proposed reduction.

36.2 No such reduction shall be made of funds allocated out of a municipality's own source revenues.

Article 37 Committed Funds

The General Director of Treasury shall designate a part or all of the allocated funds of a budget organization as committed funds where the funds will be required to satisfy an obligation in the current fiscal year to make a payment in respect of a contractual payment obligation described in paragraph 1 Article 34 of this Law.

Article 38 Making Payments, Priorities

38.1 No money shall be released from the Kosovo Consolidated Fund for the purpose of making a payment in the absence of a currently effective allocated funds notice authorizing the use of such money to make such payment.

38.2 The process to be complied with for the making of payments authorized by an allocated funds notice shall be established by the FMC Rules.

38.3 In the event of monthly cash shortages due to an unforeseen shortfall in revenue, the General Director of the Treasury with the approval of the Minister shall make payments according to the following priorities:

- a) payments of scheduled debt service for debts that have been lawfully incurred in accordance with Part IX of this law;
- b) amounts immediately due and payable on final and non-appealable court orders or judgments as provided for in Article 40 of the present law;
- c) salaries and wages for all budget organizations and social benefits the payment of which is required by law;
- d) undisputed and immediately due and payable liabilities for goods and services for all budget organizations;
- e) transfers and grants to municipalities; and
- f) capital expenditures.

Article 39

Payment of Invoices and Demands for Payment

39.1 The CFO of a budget organization shall be responsible for ensuring that every valid invoice and demand for payment for goods, services and/or works supplied to the budget organization is paid within thirty (30) calendar days after the budget organization receives such an invoice or demand for payment.

39.2 Where any person has issued such an invoice or demand for payment to a budget organization, and the concerned amount is more than sixty (60) days overdue, the person may submit a copy of the concerned invoice or demand for payment to the Treasury. Upon receipt of a copy of such an invoice or demand for payment, the General Director of the Treasury shall, within the next thirty (30) days, make an inquiry to the budget organization to ensure (i) that the invoice or the demand for payment is valid and that the concerned goods, services and/or works have been supplied, and (ii) that the concerned amount has not been paid and is more than sixty (60) days overdue. If the result of such inquiry is positive, the Treasury shall pay the concerned amount and shall not be required to obtain the prior approval of the concerned budget organization. In such event, the Treasury shall have the authority to execute a delegated expenditure notice without the prior approval of the concerned budget organization.

Article 40

Payment of Final Judgments

40.1 Whenever a court issues an order or judgment requiring a public authority to pay any type of monetary compensation to a person, and the order or judgment is not subject to appeal by the public authority or the public authority has not properly or timely exercised its right to appeal, the court shall immediately provide a copy of such order or judgment to the Ministry of Justice and the Ministry, and the enforcement and payment of that order or judgment shall be accomplished exclusively as provided in paragraph 3 of this Article and, if applicable, paragraph 4 of this Article.

40.2 Without prejudice to the general scope of the foregoing Article, it is specifically provided that (i) all payments of court judgments and orders shall be made through the TSA and (ii) neither the CBAK, nor a bank, nor any public authority or person (other than the Ministry acting in fulfillment of the requirements of this Article shall have any authority, right or duty to take any action whatsoever to enforce such a judgment or order. This prohibition applies to, but is not limited to, any action involving the freezing or placing of a lien on an account or the making or ordering of the payment of any amount in satisfaction of such a judgment or order.

40.3 Upon receipt of such a final order or judgment, the Minister shall have the authority and the responsibility to immediately take whatever measures may be necessary to pay that judgment or order out of available appropriations; provided, however, that if the judgment is against a municipality, only the municipality's appropriations may be used to satisfy such judgment.

40.4 If the Minister determines that there are insufficient current year appropriations to fully satisfy such an order or judgment, the Minister may defer the payment of all or part of the payment of that order or judgment:

(i) to the next fiscal year if the deferred amount is equal to or less than two (2) million Euros;

(ii) to the next two fiscal years if the deferred amount is more than two (2) million Euros but less than or equal to five (5) million Euros; in such case, one half of the amount deferred shall be paid in each such fiscal year together with any and all interest that may have accrued at the time of such a payment;

(iii) to the next three fiscal years if the deferred amount is more than five (5) million Euros but equal to or less than nine (9) million Euros; in such case, one third of the amount deferred shall be paid in each such fiscal year together with any and all interest that may have accrued at the time of such a payment; or

(iv) to the next four fiscal years if the deferred amount is greater than nine (9) million Euros; in such case one fourth of the amount deferred shall be paid in each such fiscal year together with any and all interest that may have accrued at the time of such a payment.

40.5 Any amount that is deferred under paragraph 4 of this Article shall be subject to an annual rate of interest that is equal to the LIBOR rate that was in effect on the day the judgment or order became final plus one percent (1%).

40.6 Any deferred amount and all accrued interest shall be fully payable, in accordance with paragraph 4 and 5 of this Article, out of the appropriations provided to the concerned public authority (or, if applicable, the budget organization of which it is a part) under the relevant future annual Appropriations Law(s). The Minister shall ensure that the proposed budgets and appropriations for the concerned public authority (or, if applicable, the budget organization of which it is a part) prioritizes the payment of such deferred amounts and accrued interest in accordance with Article 38.3(b) of this Law.

40.7 Upon the adoption of an Appropriations Law providing for the payment of any amount owed under or with respect to a final court order or judgment, the Treasury shall not be required to obtain the prior approval of the concerned budget organization in order

to make the required payment(s); and the Treasury shall have the authority to execute such delegated expenditure notices as may be needed to make such payment(s).

Article 41
Refunds of Expenditures

41.1 If during the fiscal year, a budget organization receives a refund of an amount that was paid under the authority of an appropriation for the same fiscal year, the original expenditure shall be reduced by the amount refunded.

41.2 If during the fiscal year a public authority receives a repayment of an amount that was paid under the authority of an appropriation for a previous fiscal year, the repayment shall simply be treated as revenue.

PART VIII
Reporting, Accounting and Auditing

CHAPTER I
Records and Reporting

Article 42
Publication of the Appropriations Law and the Budget

Within thirty (30) days following approval by the Assembly and promulgation of the Kosovo Consolidated Budget and the annual Appropriations Law, the Minister shall prepare and publish in the Official Gazette of Kosovo and on the Ministry's web-site such budget as well as explanatory documents thereon in a comprehensive and publicly understandable form in the languages required for official documents of the Government.

Article 43
Treasury Budgeting and Accounting Records

43.1 The Minister shall establish a budget classification system and a chart of accounts that:

- a) allow strategic and effective preparation and execution of MTEF and annual budget;
- b) facilitate the control of spending by budget organizations;
- c) permit analyses of commitments and expenditures by budget organizations, by functional category and by economic category, in a manner that meets Kosovo's needs for external and internal reporting and that is based on the applicable standards adopted by IFAC; and
- d) permit such other analyses as the Minister deems appropriate.

43.2 The chart of accounts shall be consistent with the GFS. The budget classification system may be modified to meet specific information needs of the Government. If there

is any difference between the budget classification system and the chart of accounts, the Budget Department shall prepare a bridge table.

43.3 The Minister shall maintain, at a minimum, accounting records for each budget organization showing aggregate information for each of the following categories:

- a) the receipts of the budget organization;
- b) the outstanding liabilities of the budget organization;
- c) the assets of the budget organization;
- d) appropriations;
- e) adjustments to appropriations;
- f) appropriations that have been made available to the budget organization for expenditure by means of allocated funds notices;
- g) the extent to which allocated funds of the budget organization have been recorded as committed funds; and
- h) actual expenditures made.

Article 44

Budget Organization Accounting Records

44.1 The Chief Financial Officer of a budget organization shall record transactions and maintain accounting records in accordance with the FMC Rules and provide copies of the accounting records to the Minister when requested.

44.2 The Chief Financial Officer of a budget organization and the budget organization's Chief Administrative Officer shall, within thirty (30) days after the conclusion of each fiscal year, provide to the General Director of Treasury (i) the unaudited financial statements of such budget organization for such fiscal year and (ii) a confirmation in writing that such financial statements of the budget organization for the concerned fiscal year are a true and fair presentation of the finances and financial transactions of the budget organization for such fiscal year.

44.3 The General Director of the Treasury shall, within ninety (90) days after the conclusion of each fiscal year, (i) reconcile the financial statements received pursuant to paragraph 2 of this Article with fiscal accounts and cash balances, and (ii) provide the financial statements for all budget organizations to the Auditor General for auditing.

44.4 Each budget organization shall also submit to the Minister an annual report for the previous fiscal year. Such report shall be submitted within one month after receipt by the budget organization of its audited financial statements for such fiscal year. Such report shall include:

- a) a report on the budget organization's operations, including an Outcomes Statement that identifies achievements against the performance plan presented to the Assembly as required in point h) paragraph 1 of Article 21; and
- b) audited financial statements for the fiscal year that show:
 - (i) appropriations to the budget organization for the fiscal year;
 - (ii) details of actual capital and operating expenditures by the budget organization for the fiscal year; and

(iii) the number of permanent and part-time civil servants at the beginning and end of the fiscal year.

44.5 A budget organization shall retain its accounts and financial records for at least seven (7) years after completion of the fiscal year to which they relate.

44.6 The Minister shall present a consolidated report on each budget organization to the Assembly and the Government within thirty days after such report is presented by the concerned budget organization to the Minister of Finance and Economy.

Article 45 **Quarterly Budget Reports**

45.1 The Minister shall prepare and the Government shall review quarterly reports covering the fiscal year through the end of the quarter just ended. Such reports shall be submitted to the Assembly within thirty (30) days from the end of each quarter and then published by the Minister.

45.2 Each quarterly report required under paragraph 1 of this Article shall include (i) a revenue and expenditure report containing the information specified in point b) paragraph 2 of Article 46, (ii) investment and liabilities information containing the information specified in point c0 paragraph 2 of Article 46, and (iii) an affirmative statement from the Minister as to whether current and projected revenues are sufficient or insufficient to fund the appropriations specified in the Appropriations Law.

45.3 If, in a quarterly report, the Minister indicates that there are insufficient current and/or projected revenues to fund the appropriations specified in the Appropriations Law, the Minister shall immediately consult with the General Director of Treasury and the General Director of the Budget Department on the matter and develop a proposal for the reduction of allocated funds. Before such proposal may be implemented, the Minister shall seek and obtain the approval of the Government as required under Article 36.

45.4 The mayor of a municipality shall prepare and submit to the municipal assembly quarterly reports covering the fiscal year through the end of the quarter just concluded. Such reports shall be submitted by the mayor to the municipal assembly, and a copy thereof submitted to the Minister, within thirty (30) days from the end of each quarter and then published by the mayor on the municipality's website. Each such report shall contain the information specified in paragraph 2 of this Article and a summary of the status of all capital expenditure projects.

Article 46 **Final Report on the Budget**

46.1 No later than March 31 of each calendar year, the Minister shall prepare and submit to the Government, for approval and submission to the Assembly, a final budget reconciliation report on the budget for the previous fiscal year and the two prior two fiscal years that includes:

a) a revenue and expenditure report providing comparative information for such years on:

- (i) an overview of actual receipts and expenditures;
- (ii) an overview of any budget deficit or surplus and how such deficit was financed or surplus was invested;
- (iii) the actual receipts, identified by type, of budget organizations compared with the relevant projections contained in the budget;
- (iv) actual expenditures in respect of each appropriation category compared with (1) the budget appropriation for that category, and (2) the actual expenditure for that category in the previous fiscal year;
- (v) actual dedicated revenue received, identified by type, and actual expenditures, by classification, from appropriations of dedicated revenue;
- (vi) actual number of permanent and temporary employees of budget organizations compared with the numbers authorized in the budget;
- (vii) actual payments of interest or amounts in the nature of interest on debt described in Article 50 or 51 and for repayment of debt principal;
- (viii) details of all recipients of public grants made in the fiscal year and the amount they received;
- (ix) details of expenditures for the contingent expenditure appropriations described in Article 29; and
- (x) details of all adjustments to appropriations made pursuant to Article 30 and Article 31; and

b) investment and liabilities information, including:

- (i) details of investments of public money made during the fiscal year;
- (ii) details of any obligations described in Article 50 or 51;
- (iii) an accounting of assets held by budget organizations at the end of the fiscal year; and
- (iv) an assessment of all contingent liabilities, including a risk assessment thereof.

46.2 The mayor of a municipality shall prepare and submit to the municipal assembly a final budget reconciliation report containing the information required by paragraph 1 of this Article as applicable to the concerned municipality.

CHAPTER II **External Audit**

Article 47 **Audit by the Auditor General**

47.1 The Auditor General shall prepare and submit to the Assembly a report on the financial statements of budget organizations and public undertakings for the previous fiscal year. If the budget organization is a municipality, the report shall also be provided to the concerned municipal assembly. This report shall provide the Auditor General's opinion on whether or not the financial statements give a true and fair view of the finances of such budget organizations and public undertakings.

47.2 The Auditor General shall have unrestricted access to all information and explanations that in his/her judgment are necessary for the purposes of the audit.

47.3 The Auditor General shall submit the report described in paragraph 1 of this Article by July 31 following the end of the fiscal year to which the annual report relates.

47.4 Copies of the report of the Auditor General shall be made publicly available.

Article 48

External Audit of the Kosovo Consolidated Budget

No provision of the present law shall impair or affect, or be interpreted as impairing or affecting, the Auditor General's authority to audit or make arrangements for the independent external audit of any budget organization, public authority or public undertaking at any time.

PART IX

Restrictions on Borrowing, Guarantees, Loans, Capitalization, Grants and Subsidies

Article 49

General Restriction

49.1 Except as specifically provided for in Articles 50-54 of this Law, no budget organization, public authority or controlled public undertaking may enter into any agreement of any description involving the borrowing of money, the extension of a loan, or the establishment of a credit facility.

49.2 Except as specifically provided for in Articles 50-54 of this Law, no budget organization, public authority or controlled public undertaking shall (i) issue any instrument (such as a bond or debenture) or execute any agreement imposing a debt obligation on a budget organization, public authority or controlled public undertaking, or exposing any of these to a contingent liability, (ii) guarantee or assure the performance or payment of any debt or repayment obligation of any budget organization, public authority, undertaking or person, or (iii) engage in any lending activity.

49.3 Except as may be specifically authorized by a law passed by the Assembly, no budget organization, public authority or controlled public undertaking shall establish, capitalize or acquire, or use any public money or any other funds or assets to establish, capitalize or acquire, directly or indirectly, an undertaking or an interest in an undertaking. This restriction shall not, however, be interpreted as restricting the authority of the Government to acquire, from the KTA, the shares of the designated entities specified in Schedule A.

49.4 Any act done, agreement executed or instrument issued, by any budget organization, public authority or controlled public undertaking in violation of the restrictions imposed by this Article 49, except as specifically provided for in Articles 50-54 of this Law, shall be void and unenforceable.

Article 50
Specific Exceptions

50.1 The restrictions established by paragraph 1 and 2 of Article 49 shall not apply to:

- (i) an agreement entered into pursuant to the Law on International Financial Agreements;
- (ii) any debt instrument or debt security issued by the Government of Kosovo if the Assembly has specifically provided for such issuance in the Kosovo Consolidated Budget; or
- (iii) any loan agreement entered into by the Government of Kosovo that has as its principal subject matter the borrowing of money by the Government of Kosovo if the Assembly has specifically provided for such borrowing in the Kosovo Consolidated Budget.

50.2 The restrictions established by paragraph 1 and 2 of Articles 49 shall not apply to amounts lawfully provided by a budget organization, under the authority of an annual Appropriations Law, to a designated entity as financial support; provided, however, that – unless the concerned annual Appropriation Law specifically and explicitly characterizes such financial support as a “grant” - all such amounts provided shall not be treated as a grant or donation but shall instead constitute a loan to the concerned designated entity. Such a loan shall give rise to a super-priority lien, to the benefit of and enforceable by the Government, on the assets of the designated entity, including assets acquired after the provision of the loan.

50.3 Notwithstanding the restrictions in paragraph 2 of Article 49 of this Law, the Minister, after receiving the approval of the Government of Kosovo, may execute a guarantee.

Article 51
General Exceptions

The Government may, for the purpose of borrowing or guaranteeing the repayment of money that is needed to accomplish a legitimate public purpose, enter into a loan or guarantee agreement with (i) an international financial institution specified in Schedule B to the present law; or (ii) another financial institution if the principal subject matter of such agreement involves the extension of a loan or the establishment of credit facility guaranteed or insured by an international financial institution specified in Schedule B. The purpose of the proposed agreement and the proposed amount to be borrowed or guaranteed must be specifically provided for in the approved Kosovo Consolidated Budget.

Article 52
Minister of Finance as Sole
Authorized Agent

The Minister shall act as the agent of the Government with respect to all borrowing activity of the Government. The Minister shall be responsible for conducting the

negotiations over, and concluding any such borrowing agreement or arrangement; and the Minister is hereby designated as the sole authorized agent of the Government for this purpose. The Minister shall have the sole authority to:

- a) represent the Government in the conduct of its borrowing or guaranteeing activities;
- b) conduct all negotiations with all concerned lenders and other third parties on behalf of the Government;
- c) execute all loan and/or guarantee documents as the authorized agent of the Government; and
- d) maintain the originals of the agreement and all documents relating thereto.

Article 53 **Restrictions on Grants, Donations and Subsidies**

53.1 No budget organization or other public authority shall make any grant, donation or subsidy to any person or undertaking except, and only to the extent, that an Appropriations Law specifically and explicitly authorizes such a grant, donation or subsidy.

53.2 If an Appropriations Law authorizes a budget organization or other public authority to make a grant, donation or subsidy to one or more persons and/or undertakings, such budget organization or public authority shall fully comply with all conditions and requirements specified in the concerned Appropriations Law and the rules issued by the Minister under paragraph 3 of this Article when making such a grant, donation or subsidy.

53.3 The Minister shall have the exclusive authority to issue rules governing the process that shall be followed by the concerned budget organization or public authority when selecting the recipient or recipients and determining the amount or amounts to be provided as a grant, donation or subsidy. Such rules shall ensure that the process is strictly aimed at achieving the intended purpose of the Assembly when it authorized such grant, donation or subsidy in the concerned Appropriations Law.

Article 54 **Public Private Partnership Contracts**

54.1 Notwithstanding the restrictions established by paragraph 1 and 2 of Article 49, a budget organization or other public authority may tender and award a Public-Private Partnership Contract if:

- a) the concerned project and the terms of the tender have, prior to the publication of the tender, been approved by the Minister;
- b) the tendering and award of such contract have materially complied with the applicable provisions of the Law on the Procedure for the Award of Concessions and the Law on Public Procurement;
- c) the master contract and each related sub-agreement or side agreement has an effective duration that is reasonable in light of the size of the project and the object(s) of the concerned contract or agreement;

d) the tendering and award process conforms to any rules or standards applicable to public-private partnerships issued by the EU or any executive authority of the EU; and
e) the final Public-Private Partnership Contract has been approved by the Government and then signed by the Minister and the person or persons having signature authority at the budget organization.

54.2 Prior to tendering a Public-Private Partnership Contract, the budget organization or public authority shall first prepare and submit to the Minister a formal request for the required budget support that includes (i) a detailed description of the type, proposed amount and duration of the required budget support, (ii) a comprehensive and detailed description of the project including a project risk matrix, (iii) a detailed financial feasibility study, (iv) a draft of the proposed master contract and (v) any other document that the Minister may request.

54.3 After receiving the required information, the Minister shall forward the request and related documents to the PPPU, which shall immediately conduct a technical review thereof. The PPPU shall provide the Minister with its professional opinion on the reasonableness of the budget support request within sixty (60) days after commencing its review. The PPPU shall also include in such opinion a risk analysis of all contingent liabilities associated with such request.

54.4 Within fifteen (15) days after receiving the opinion of the PPPU, the Minister shall either deny or approve the request in writing. The Minister may approve the requested budget support in whole or in part. The Minister may also impose conditions on such an approval. Any approval by the Minister must be formally ratified by the Government before it becomes effective.

54.5 If the Government ratifies the Minister's approval, (i) the Minister shall immediately make full disclosure in writing to the public and to the Assembly of all material aspects of any budget support that is or will be provided in connection with the concerned Public Private Partnership Contract, and (ii) the contracting authority may proceed with the tender process; however, after the conduct of such process, the award of the contract shall require the approval of the Government.

PART X

Accountability of Autonomous Public Undertakings

Article 55

Grants to Autonomous Public Undertakings

A budget organization may only provide a grant to an autonomous public undertaking if an appropriation for the budget organization specifically and explicitly authorizes such grant; and, in such event, the budget organization shall ensure that any conditions imposed by the appropriation on such grant are strictly complied with.

Article 56
Notification of Significant Events

If an autonomous public undertaking proposes to take any of the following actions, the autonomous public undertaking shall first provide to the Minister a written report containing detailed information on the proposed action:

- a) forming or participating in the formation of a legal entity, company, partnership, trust, unincorporated joint venture or any similar arrangement, or any other business or non-business organization or association;
- b) acquiring, disposing or significantly modifying the nature or extent of any interest held in any organization or association referred to in point (a) above;
- c) acquiring or disposing of any operating asset or other significant asset;
- d) ceasing, expanding or modifying its operations;
- e) exercising its ownership interest in any organization or association referred to in point f) above to cause such organization or association to take any action specified in points (a) – (d) above; and
- g) engaging in any borrowing or lending activity.

PART XI
Municipalities

CHAPTER I
General Provisions

Article 57
Application of the Present Law to Municipalities

All provisions of the present law shall apply to municipalities to the same extent as to any other budget organization except (i) as may be specifically provided otherwise by this Part XI or another provision of the present law or (ii) to the extent that applying such a provision to a municipality would be in conflict with the LLGF.

Article 58
Municipal Revenues

58.1 Except for financial assistance to a municipality provided by the Republic of Serbia, all money or revenue collected or received by a municipality, whether or not falling within the definition of “municipal own source revenues,” shall be immediately deposited in the appropriate official bank account. Financial assistance provided by the Republic of Serbia shall be immediately deposited in (i) an official bank account or (ii) a commercial bank account in accordance with the requirements of the LLGF.

58.2 The municipality shall, upon the making of any deposit in an official bank account, immediately record such deposit in the Treasury Accounting Record in accordance with the FMC Rules, indicating (i) the total amount deposited, (ii) a breakdown, by source, of the funds deposited, and (iii) all other information required by the FMC Rules. All such revenues deposited in an official bank account of the

municipality shall be transferred, in the manner and within the time specified in the FMC Rules, to the appropriate account within the Kosovo Consolidated Fund.

58.3 Any of the amounts so deposited that fall within the definition of “municipal own source revenues” shall be the dedicated revenue of the concerned municipality. Such dedicated revenue shall be appropriated to the concerned municipality in accordance with its proposed budget and appropriations request.

Article 59 **Financial Assistance from the Republic of Serbia**

59.1 Municipalities shall be entitled to receive financial assistance from the Republic of Serbia.

59.2 Any financial assistance to a municipality from the Republic of Serbia (i) shall be the dedicated revenue of the municipality and (ii) shall be used by a municipality solely for purposes that are directly related to the exercise by the municipality of its municipal competencies.

59.3 A municipality shall ensure that all such financial assistance is deposited (i) in an official bank account in accordance with the requirements of the LPFMA or (ii) in an account at a commercial bank that has been certified by the CBAK. If any such financial assistance is deposited in an account at a commercial bank, the municipality shall record such deposit in the Treasury Accounting Record in accordance with the FMC Rules, indicating (i) the total amount deposited, (ii) the source of the funds deposited and (iii) all other information required by the FMC Rules.

59.4 If any such financial assistance is deposited in an official bank account, such financial assistance shall be appropriated to the municipality in accordance with its proposed budget and appropriations request if such documents indicate that such financial assistance will be used solely for purposes that are directly related to the exercise by the municipality of its municipal competencies.

59.5 If any such financial assistance is deposited in an account at a commercial bank account, the municipality may freely use such funds for any purpose that is directly related to the exercise by the municipality of its municipal competencies. However, any and all expenditures of such financial assistance shall be immediately reported by the municipality to the Treasury in accordance with the FMC Rules.

59.6 Any such financial assistance shall be exempt from any taxes, fees, duties or similar charges provided for by law or sought to be assessed or collected by a public authority.

59.7 Such financial assistance shall not be taken into consideration in any manner by the Minister of Economy and Finance, the Grants Commission or the Assembly when determining the amount of any Grant or appropriation to be provided to such municipality.

CHAPTER II

Development of a Municipality's Proposed Budget and Appropriations Request

Article 60

Preparation and Review of Proposed Budgets and Appropriation Requests by the CFO and Mayor of the Municipality

60.1 The CFO of a municipality shall, on or before July 1 of the then current calendar year, issue to the head of each municipal department of the municipality a municipal budget circular providing information and instructions on (i) the expenditure ceilings applicable to such department for the next fiscal year and estimates thereof for the following two (2) fiscal years and (ii) the methodology and formats to be used by such department in preparing its proposed budget and appropriations request for the next fiscal year. Such budget circular shall include:

- a) the procedures to be used by the department in preparing its proposed budget and appropriations request;
- b) the information that must be set forth in such proposed budget and appropriations request;
- c) details on the format in which such proposed budget and appropriations request must be prepared; and
- d) the deadline by which the department must complete and submit to the CFO such proposed budget and appropriations requests.

60.2 Once the time limit specified in the internal budget circular has expired, the CFO shall (i) review the proposed budgets and appropriations requests received from the municipal departments, and (ii) conduct meetings with each such department for the purpose of reviewing and understanding such department's proposed budget and attempting to resolve issues and concerns regarding such proposed budget, especially as regards the consistency thereof with the Municipal Internal Expenditure Ceilings and the municipal budget circular.

60.3 After conducting the meetings specified in paragraph 2 of this Article, the CFO shall prepare and deliver to the municipality's Mayor a proposed Municipal Budget for the next fiscal years and estimates thereon for the following two (2) fiscal years. Such documents shall be in a format consistent with the budget circulars issued by the Minister. The CFO shall simultaneously distribute to the municipal departments of the municipality the proposed budget for the next fiscal year.

Article 61

Review of the Municipal Budget by the Municipal Assembly

61.1 Once the Mayor has approved a proposed Municipal Budget, the Mayor shall submit, by September 1 of the then current fiscal year, such document to the Municipal Assembly. The presentation of financial information, such as receipts, expenditures and financing, in the proposed Municipal Budget and the format of the documentation therein shall be comprehensive, transparent and consistent with the GFS cash basis classification system published from time-to-time by the IMF. The proposed Municipal Budget shall include:

- a) economic and budgetary forecasts and assumptions;
- b) aggregate estimate of revenues from all sources, including (i) grants, consistent with amounts advised in the budget circular(s) issued by the Minister, (ii) assistance from sources outside Kosovo, and (iii) projected municipal own source revenues;
- c) an aggregate target for expenditures on all economic categories of expenditure;
- d) estimates of expected donor support; and
- e) any other information of material importance to the budget that the CFO may deem advisable to include.

61.2 Upon receipt of the proposed budget, the Municipal Assembly shall hold public hearings in accordance with the applicable municipal normative acts. Following such hearings, the Municipal Assembly shall, by the date specified in paragraph 3 of Article 20 of this Law, review, modify as it deems necessary or advisable, approve and submit to the Minister the proposed Municipal Budget.

61.3 The approved Municipal Budget shall comply with the requirements of Article 20 of this Law and the instructions contained in the budget circulars issued by the Minister.

Article 62

Failure of a Municipality to Timely Submit a Proposed Budget and Appropriations Request

62.1 If a mayor of a municipality fails to timely submit a proposed budget and appropriations request to the municipal assembly by September 1 of the then current fiscal year as required by paragraph 1 of Article 61 of this Law:

- a) the Minister shall immediately appoint a municipal financial administrator for such municipality and, in such event, all rights and responsibilities assigned by the present law or the LLGF to the mayor shall become the rights and responsibilities of municipal financial administrator; and
- b) the mayor shall be subject to the procedures specified in the Law on Local Self-Government.

62.2 If a municipal assembly fails to timely approve and submit to the Minister a proposed municipal budget and appropriations request that complies with the requirements of the present law by the date specified in paragraph 3, Article 20 of this Law, the Minister shall have the authority to develop a proposed budget and appropriations request for such municipality that are based on, but not more than, the current fiscal year's budget and appropriations for that municipality.

62.3 If – after the date specified in paragraph 3, Article 20 of this Law but before the Assembly approves the KCB and Appropriations Law for the next fiscal year – a municipal assembly approves and submits to the Minister such a proposed municipal budget and appropriations request, the Minister shall immediately provide such documents to the Government, and the Government shall immediately submit such documents to the Assembly. The Assembly may, but need not, take such submission into

account when finalizing and approving the he KCB and Appropriations Law for the next fiscal year.

62.4 If - after the Assembly approves the KCB and Appropriations Law for the next fiscal year – a municipal assembly approves and submits to the Minister such a proposed municipal budget and appropriations request, the Minister shall immediately provide such documents to the Government, and the Government shall immediately submit such documents to the Assembly. The Assembly may, but need not, amend the approved KCB and Appropriations Law to take such submission into account.

62.5 If a municipal assembly fails to approve and submit to the Minister such a proposed municipal budget and appropriations request by March 1, no further expenditures shall be made by or on behalf of the concerned municipality until the municipal assembly approves and submits such documents to the Minister. Upon approval and submission to the Minister by the municipal assembly, such documents shall be handled in accordance with paragraph 4 of this Article.

PART XII

Financing of Independent Agencies and the Courts

Article 63

Application of the Present Law to Independent Agencies and the Courts

63.1 Except as specifically provided otherwise in this Part, all provisions of the present law shall apply to independent agencies and the courts to the same extent as to any other budget organization or public authority.

63.2 The Kosovo Judicial Council (KJC) shall have the responsibility and authority to act as the representative of all courts in Kosovo with respect to the development and submission, in accordance with the present law, of proposed budgets and appropriations requests for such courts.

63.3 In the event of any conflict between the provisions of this Part and the provisions of any other law or UNMIK regulation, the provisions of this Part shall prevail.

Article 64

Revenue of Independent Agencies and Courts

64.1 All money or revenue collected or received by an independent agency or a court shall be public money and shall be immediately deposited in the appropriate official bank account established by the General Director of the Treasury. The concerned agency or court shall, upon the making of any such deposit, immediately provide the Treasury with a written notice, in the form specified under the FMC Rules, indicating (i) the total amount deposited, (ii) a breakdown, by source, of the funds deposited, and (iii) all other information required by the FMC Rules.

64.2 If a law or UNMIK Regulation requires that funds collected or received by an independent agency or a court are to be used exclusively by that independent agency or that court, such funds shall be the dedicated revenue of such independent agency or court. In such case, the Treasury shall establish a segregated dedicated revenue account or sub-account within the Kosovo Consolidated Fund for such dedicated revenue.

Article 65

Budgeting Process for Independent Agencies and the Courts to be Free from Political and Commercial Influence

65.1 No budget organization, public authority, person or undertaking shall use or attempt to use the budgeting and appropriations process for an independent agency or a court in a manner that is intended to exert political, personal or commercial influence over such agency or court.

65.2 In the case of an independent regulatory agency, no public authority, person or undertaking over which the agency has regulatory authority shall participate in or attempt to influence, directly or indirectly, the budgeting and appropriation process affecting that agency. This prohibition shall also apply to, and be strictly observed by, any public authority or official that has a leading or special policy-making or other role for the industry or subject matter regulated by the agency.

65.3 In the case of a court, no public authority, person or undertaking - other than the KJC, the Ministry of Economy and Finance and the Assembly - shall participate in or attempt to influence, directly or indirectly, the budgeting and appropriation process affecting that court.

Article 66

Independent Agencies with Dedicated Revenue

66.1 During the budgeting process for an independent agency having dedicated revenues, neither the Minister nor the Government shall have any authority to modify a proposed budget or appropriations request for such an independent agency if such document has been submitted by the date, and conforms to the format requirements, specified in the budget circular. If such a document is not submitted to the Minister by the specified date, the Minister shall have the authority to develop a proposed budget and appropriations request for such independent agency that is based on, but not more than, the then current fiscal year's budget and appropriations.

66.2 The Minister and the Government shall ensure that all proposed budgets and appropriations requests referred to in paragraph 1 of this Article are (i) incorporated, without modification, into the proposed KCB and the proposed Appropriations Law and (ii) submitted to the Assembly. However, the Minister may, in a separate document, also submit to the Assembly comments on any such proposed budget or appropriations request.

PART XIII
Judicial and Arbitral Proceedings Involving a Public Authority

Article 67
Future Court or Arbitral
Proceedings

67.1 If, at any time after this Part becomes effective, any person or organization files with a court or an arbitral tribunal a complaint or claim against a public authority seeking monetary or any other form of compensation from such public authority, or a complaint or claim alleging a right in or to property in the ownership or possession of a public authority or under the administration of a public authority, such person or organization (the “complainant”) must provide a copy of such complaint or claim to the concerned public authority, the Minister of Justice and the Minister of Economy and Finance.

67.2 Such a complaint or claim shall not be deemed by any court or arbitral tribunal to have been properly or timely filed unless and until the complainant fully complies with the requirements of paragraph 1 of this Article. The complaint or claim shall, as a conclusive matter of law, be deemed to have been filed only on the date that the requirements of paragraph 1 of this Article have been fully complied with; and any applicable statutory time limits shall continue to run until such requirements have been complied with. Until the complainant provides the concerned court or arbitral tribunal with reasonable evidence that such requirements have been complied with, the concerned court or arbitral tribunal shall not schedule, order, commence or conduct any proceedings relating to such complaint or claim.

67.3 If the concerned public authority is the Government, the Ministry of Justice shall have the right, authority and duty to represent the Government in the concerned proceeding.

67.4 If the concerned public authority is not the Government, the Ministry of Justice shall have the right and authority to participate in the concerned proceeding as the advocate of the public and, if applicable, social interest and, acting in that capacity, shall have the right and authority to fully participate in any judicial or arbitral proceedings relating to such a complaint or claim, including the right to present evidence and legal arguments in opposition to such complaint or claim. The Ministry of Justice shall also have the duty to ensure that the concerned public authority is properly and competently represented by its own legal counsel throughout any such proceedings. The Ministry of Justice shall have the right and authority to take over such representation if (i) requested by the concerned public authority or (ii) the Ministry of Justice determines, in its sole discretion, that the concerned public authority is not being properly or competently represented.

67.5 In the event the Ministry of Justice takes over the representation of a public authority under paragraph 4 of this Article, the court or arbitral tribunal shall then only permit the Ministry of Justice to represent the public authority in the concerned proceeding. Furthermore, all officials, civil servants, employees and contractors of the concerned public authority shall be under a strict duty to fully and uneventfully cooperate with the Ministry of Justice and immediately comply with any request by the Ministry of

Justice for documents or information. Failure to so cooperate or comply shall, as a matter of law, serve as a sufficient basis for a competent court, upon application by the Ministry of Justice, to order the immediate dismissal or removal of any such official, civil servant, employee or contractor. Such court shall provide the concerned official, civil servant, employee or contractor a reasonable opportunity to contest the factual basis of such an application.

67.6 If, at any time during or after its participation in a proceeding, the Ministry of Justice has reason to believe that the parties or the court or arbitral tribunal (or any officials, employees or representatives thereof) are engaging or may have engaged in any unlawful, unprofessional or unethical conduct that has undermined or negatively affected the legal representation of the public authority or otherwise prejudiced public money, public or socially owned property or resources, or the rights or duties of any public authority, the Ministry of Justice shall have full authority to investigate the matter and shall have the authority to require any person or public authority (including, but not limited to, the court or arbitral tribunal, the parties, the Ministry of Internal Affairs and the Auditor General) to cooperate and/or assist in the conduct of that investigation.

67.7 If an investigation referred to in paragraph 6 of this Article discloses evidence of such unlawful, unprofessional or unethical conduct, the Ministry of Justice shall refer the matter to the Public Prosecutor and/or, if applicable, any public authority or other body having the responsibility for enforcing standards of judicial, civil service or professional conduct. If the matter is referred to the Public Prosecutor, he/she shall prosecute all involved persons and organizations to the fullest extent provided for under the applicable criminal laws of Kosovo. If the matter is referred to a public authority or other body having the responsibility for enforcing standards of judicial, civil service or professional conduct, such public authority or other body shall conduct an investigation and a full hearing on the matter; if it confirms that such unethical or unprofessional conduct took place, it shall take the strongest possible disciplinary measures to address the breach of such standards.

67.8 In addition to the measures described in paragraph 7 of this Article, if the Minister of Justice determines that the concerned conduct has resulted in damage to any public money, public or socially owned property or resources, or the rights or duties of any public authority, the Ministry of Justice may bring a civil suit for damages and – if applicable – the recovery of specific property, against the responsible persons.

Article 68

Pending Court Proceedings

68.1 If, at the time this Law comes into effect, there is any pending court proceeding that is based on a complaint or claim described in paragraph 1, Article 67 of this Law, and the Ministry of Justice is not already participating in that proceeding: (i) such proceeding shall, as matter of law, be automatically suspended, and (ii) any public authority and any court that is or was involved in the pending proceeding or an earlier related proceeding shall immediately notify the Minister and the Ministry of Justice about such proceeding and provide those ministries with a complete copy of all records and case files relating thereto. The suspension shall continue until the expiration of a period of 180 days that shall begin on the date that a copy of the case file has been provided to

both ministries. A court proceeding is “pending” unless it has resulted in an absolutely final judgment (one that is no longer subject to appeal).

68.2 Until the expiration of the suspension period described above: (i) the court and the parties are prohibited from taking, and shall not take, any action whatsoever with respect to the pending proceeding; including actions involving the submission of evidence, the filing of briefs and/or the making or issuance of any ruling, order or determination, and (ii) all timelines and deadlines (including appeal periods) that are in any way applicable to such a proceeding or any order or judgment issued in connection with such a proceeding shall be suspended.

68.3 As an exception to paragraph 2 of this Article, the Ministry of Justice may, during the period that a proceeding is suspended, intercede in such proceeding and shall have the rights and authorities specified in paragraph 3, 4 and 5 of Article 67 of this Law. Upon the expiration of the suspension, the court shall resume the concerned proceedings; however, the court shall conduct such further hearings and shall issue such further rulings, determinations, orders and judgments (including – if necessary – an order revoking or modifying any prior ruling, determination, order or judgment issued by the court) as may be necessary to ensure the proper disposition of the case in light of any evidentiary submissions, legal arguments and filings made by the Ministry of Justice.

68.4 If at any time the Ministry of Justice has reason to believe that the parties and/or the court (or any officials, employees or representatives thereof) are engaging or may have engaged in any unlawful, unprofessional or unethical conduct that has undermined or negatively affected the legal representation of the public authority or otherwise prejudiced public money, public or socially owned property or resources, or the rights or duties of any public authority, the Ministry of Justice shall have the rights and duties provided for in paragraph 6, 7 and 8 of Article 67 of this Law.

Article 69 **Allowable Damages**

A competent court shall have the authority to order a public authority or budget organization to pay monetary compensation only for direct economic damages that have been substantiated by the court on the basis of the evidence.

Article 70 **Conflicts between this Part XIII and Other Normative Acts**

This Part XIII shall prevail over any and all contrary provisions of any other law or UNMIK Regulation, unless such other law or regulation explicitly states that such contrary provisions shall prevail over one or more provisions of this Part XIII.

Article 71
Notice to Courts, Public Authorities, Chamber of Advocates

Immediately after the date on which Part XIII becomes effective, the Ministry of Justice shall provide the courts, the KJI, the KJC, the Chamber of Advocates and the legal offices of all other budget organizations and public authorities with a special notice regarding the specific provisions of Part XIII. Upon receipt of such notice, the KJI, KJC and the courts shall ensure that all judges in Kosovo are provided with a copy thereof. Upon receipt of such notice, the Chamber of Advocates shall ensure that all advocates in Kosovo are provided with a copy thereof.

Article 72
Additional Appropriations

If, at the time Part XIII becomes effective, the annual Appropriations Law then in effect provides funding to the Ministry of Justice that is insufficient to carry out the new responsibilities assigned to the Ministry of Justice by Articles 67 and 68 of this Law, the Minister of Economy and Finance shall (i) immediately consult with the Ministry of Justice on the additional funding needed and (ii) submit to the Government for approval and submission to the Assembly a proposed amendment to the then current Appropriations Law providing the Ministry of Justice with an additional appropriation that is reasonably expected to enable the Ministry of Justice to carry out such responsibilities.

PART XIV
Penalty Provisions and Final Matters

Article 73
Failure to Deposit Public Money into the Kosovo Consolidated Fund

73.1 If a budget organization, public authority or controlled public undertaking fails to deposit promptly any amount of public money in the Kosovo Consolidated Fund or, with respect to financial assistance received by a municipality from the Republic of Serbia, in a commercial bank account as may be permitted by the LLGF, the General Director of the Treasury shall make an estimate of the amounts that have not been so deposited and shall provide such estimate to the Minister, and the Minister shall forward such estimate to the Auditor General.

73.2 The Auditor General shall immediately investigate the matter and, as the Auditor General deems necessary or advisable, refer it to the appropriate law enforcement officials.

Article 74
Unlawful Collections

If a final judgment or order issued by a court determines that money, revenues or amounts have been charged, assessed, collected or received without lawful authority, the

General Director of the Treasury shall, upon being provided with such judgment or order, immediately segregate any such funds that are then in the Kosovo Consolidated Fund and shall hold such funds in a separate trust account. The funds in such trust account shall be disposed of as ordered by the court.

Article 75 **Failure to Comply With this Law**

Except for matters covered by Articles 62 and paragraph 4, Article 65 of this Law, if the Minister determines that a budget organization has failed to routinely, effectively and uneventfully comply with and implement such requirements and procedures, he shall issue that determination in writing and shall provide a copy thereof to the concerned budget organization, the President of the Assembly and the Chairman of the Budget Committee of the Assembly and the Auditor General. If the concerned budget organization is a municipality, the Minister shall also provide a copy of his determination to the members of the concerned municipal assembly. If the concerned budget organization is not a municipality, the Minister shall also provide a copy of his determination to the members of the Government. The Auditor General, upon receipt of such a determination shall conduct an investigation into the matter.

Article 76 **Illicit Influence**

76.1 It shall be a criminal offence for any person or undertaking to provide, offer, solicit or accept anything of value for the direct or indirect benefit of a current or former employee of a public authority or a current or former public official, or any related or associated person, wholly or partly for the purpose of influencing a decision affecting the collection, handling, use or expenditure of any public money.

76.2 It shall also be a criminal offence for any person or undertaking to take any action for the purpose of intimidating or harming (physically, financially, or otherwise) any person or undertaking, wholly or partly for the purpose of influencing a decision affecting the collection, handling, use or expenditure of any public money.

76.3 Any person or undertaking convicted of an offense specified in paragraph 1 or 2 of this Article shall be required to pay a penalty equal to 10,000 to 500,000 Euros; the concerned criminal court shall use its reasonable discretion in establishing the exact amount of such penalty, taking into account the exact nature of the concerned offense. Any person or undertaking so convicted shall also be banned for a period of at least five (5) years from (i) being engaged as a civil servant, official or consultant of a public authority, and (ii) conducting any business or entering into any contract with any public authority, whether directly or indirectly. If a person so convicted is a public official or an employee of a public authority, he or she shall also be dismissed and banned, for a period of ten (10) years, from holding any public office, any civil service position and any position in a public undertaking.

76.4 Any person convicted of an offense specified in paragraph 2 of this Article shall be imprisoned for a term of one year or a term equal to twice the normal term attaching to such an offense under the general criminal laws and regulations of Kosovo, whichever is longer.

76.5 Where an offence specified in paragraph 1 or 2 of this Article is alleged to have been committed by or on behalf of an undertaking, the natural person or persons actually involved in the events giving rise to such offense shall also be criminally liable therefore. Furthermore, any director or senior manager or executive officer of such undertaking who knew or – in the exercise of reasonable managerial diligence – should have known of the events giving rise to such offense shall also be criminally liable therefore if – at the time such person knew or should have known of such events - such person failed to take immediate and serious measures to prevent the concerned offence or to report such offence to Minister of Internal Affairs or the Public Prosecutor.

Article 77 **Violations by a Public Official or** **Civil Servant**

77.1 If any public official or civil servant intentionally fails, or more than once negligently fails, to comply with one or more obligations or requirements imposed by the present law or a subsidiary normative act or order validly issued under the authority of the present law, such public official or employee shall be dismissed and banned from public employment and service for a period of at least three (3) years.

77.2 If any public official or civil servant intentionally fails to comply with one or more obligations or requirements imposed by the present law or a subsidiary normative act or order validly issued under the authority of the present law, such person shall be subject to an administrative fine of up to 10,000 Euros. If such an intentional failure causes damage to a public authority or the loss of public money, such public official or civil servant shall also be liable for all such damage and losses. If such intentional failure involves conduct that constitutes a crime under the general criminal laws and regulations of Kosovo, such person shall also be subject to criminal prosecution under such laws and regulations.

77.3 If any public official or civil servant, through gross negligence, fails to comply with a requirement imposed by this Law or a subsidiary normative act or order validly issued under the authority of the present law, and such failure causes damage to a public authority or the loss of public money, such public official or civil servant shall be liable for such damage and losses.

Article 78 **Suspension of Public Officials and Civil Servants**

If a public official or civil servant becomes the subject of a court proceeding involving allegations that such public official or civil servant has been involved in an event of illicit influence as described in Article 76 of this Law or has intentionally or negligently failed to comply with one or more obligations or requirements imposed by the present law or a

subsidiary normative act or order validly issued under the authority of this Law, the court may issue an order suspending such person, with pay, from his or her position until the court has the opportunity to conduct a full and fair hearing on the allegations and to make a determination thereon.

Article 79
Violations by Other Persons

If any person other than a public official or civil servant violates a provision of the present law or a subsidiary normative act or order validly issued under the authority of the present law, such person shall be guilty of a criminal offense and shall be required to pay a penalty equal to 10,000 to 500,000 Euros; the concerned criminal court shall use its reasonable discretion in establishing the exact amount of such penalty, taking into account the exact nature of the concerned offense. If such violation causes damage to a public authority or the loss of public money, such person shall also be liable for all such damage and losses. If such violation involves conduct that constitutes a crime under the general criminal laws and regulations of Kosovo, such person shall also be subject to criminal prosecution under such laws and regulations.

Article 80
No Additional Compensation

If an employee, civil servant or official of a public authority or public undertaking is required by an act of the Government to serve on any commission, board or other public body or authority, such employee, civil servant or official shall not be entitled to receive, and shall not receive, any additional compensation for such service. Such service shall instead be deemed to be part of the mandatory duties of the current position held by such employee, civil servant or official.

Article 81
Entry into Force/Repeal of Prior Legislation/Applicability

81.1 This Law shall enter into force after its adoption by the Assembly of the Republic of Kosovo and its promulgation in the Official Gazette of Kosovo.

81.2 On the day that this law enters into force, the following shall be repealed: (i) Law No. 2003/2, (ii) its promulgating regulation, UNMIK Regulation 2003/17 of 12 May 2003, and (iii) all amendments to either of the foregoing.

81.3 The provisions of this Law establishing budgeting and appropriations requirements and procedures shall not apply to the CBAK.

Law No. 03/L-048
13 March 2008

President of the Assembly of the Republic of Kosovo

Jakup KRASNIQI

Schedule A
Designated Entities

Each of the following entities is a “designated entity” within the meaning of that term as it is used in the present law:

- 1) Post and Telecommunications Kosovo
- 2) Kosovo Electric Authority
- 3) Pristina Airport Authority
- 4) Kosovo Railway
- 5) KOSTT

Schedule B
International Financial Institutions

The following are the international financial institutions referred to in Article 51 of the present law:

- 1) The International Bank for Reconstruction and Development and other members of the World Bank Group
- 2) The European Bank for Reconstruction and Development
- 3) The International Monetary Fund
- 4) The Islamic Development Bank
- 5) Official export credit agencies of foreign countries; and
- 6) Official bilateral financial institutions of foreign countries or the European Union.
- 7) The European Investment Bank.