

*MONTENEGRO*

*L A W*  
*ON LOCAL SELF-GOVERNMENT*  
*FINANCING*

*(Revised text)*

**Podgorica, December 2010**

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**ON LOCAL SELF-GOVERNMENT**  
**FINANCING**  
*(Revised text \*)*

**I GENERAL PROVISIONS**

**Article 1**

(1) This Law stipulates resources, the way of financial equalization and the use of conditional grants, and financing their own affairs of local self-government (hereinafter referred to as municipalities) determined by the Constitution, law and other regulations.

(2) Provisions of this Law shall be referred to the financing of the Capital City and Historical Capital.

**Article 2**

(1) Funds to finance municipal own affairs shall be provided in the Municipal Budget.

(2) A Municipality shall dispose autonomously with the funds referred to in Paragraph 1 of this Article.

(3) The funds referred to in Paragraph 2 of this Article shall be appropriate to the expenditures needed to finance the municipal jurisdiction established by the Constitution and law. - *(Law 74/2010)* -

**Article 3**

Funds for the implementation of transferred and entrusted affairs shall be provided to the Municipality from the State Budget, in accordance with the regulation on transferring or entrusting these affairs.

**II FUNDS RESOURCES**

**Article 4**

The Municipality shall acquire funds from:

- 1) Its own resources;
- 2) Revenues transferred by the law; - *(Law 74/2010)* -
- 3) Equalization Fund; and
- 4) State Budget.

**1. Own Resources**

**Article 5**

(1) Municipal own resources shall be as follows:

1. Real estate tax in accordance with specific law;
2. Surtax on personal income tax in accordance with this law;
3. Local administrative charges, in accordance with specific law;
4. Local communal charges, in accordance with specific law;
5. Fee for utility equipment of constricted land, in accordance with specific law;
6. Fees for the use of municipal roads, in accordance with specific law;
7. Fee for environmental protection and improvement, in accordance with specific law;
8. Resources from sale and rent of municipal property;
9. Income from capital (interests, stakes and shares, etc.);
10. Fines imposed in misdemeanor proceedings, as well as gain confiscated in that proceedings;

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\* "Official Gazette of the Republic of Montenegro", No. 42/03 and 44/03 (correction) and "Official Gazette of Montenegro", No. 5/08 and 74/2010.

11. Revenues from concession fee for performing communal affairs and revenues from other concession activities that a municipality concludes in compliance with law;
12. Revenues collected by municipal bodies, services, and organizations through their own activities;
13. Revenues from grants and subsidies; and
14. Other revenues set by the law.

(2) Municipalities shall be under obligation to inform Ministry of Finance on the implementation and use of the revenues referred to in Paragraph 1, Points 8 and 9 of this Article, in a way stipulated by this Law.

- (Law 74/2010) -

#### **Article 6**

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- (Law 74/2010) -

#### **Surtax on Personal Income Tax Article 7**

(1) A municipality may introduce the obligation of paying surtax on personal income tax at the rate up to 13% for persons and legal entities from its territory.

(2) Surtax on personal income tax shall be paid on personal earnings tax, self-employment tax, tax on property and property rights, and capital gains tax.

(3) Exceptionally from Paragraph 1 of this Article, surtax rate on personal income tax for the Capital City and Historic Capital may be up to 15% of the tax liability from Paragraph 2 of this Article.

#### **Article 8**

(1) Surtax on personal income tax shall be paid by rate that a municipality determines by its own regulation.

(2) Provisions of the law that regulates personal income tax shall be accordingly implemented on calculating and paying surtax on personal income tax.

(3) Legal entities and persons, banks and other financial organizations shall be under obligation to deliver data, or allow insight into their business books and records at the request of a competent municipal taxation Body for the purpose of ensuring control of tax calculation and payment.

#### **Article 9**

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- (Law 74/2010) -

#### **Article 10**

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#### **Article 11**

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**Article 24**

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## **2. Revenues Transferred by the Law**

- (Law 74/2010) -

### **Article 25**

(1) Municipality shall receive revenues from taxes and fees transferred by the law which shall be introduced by the State.

(2) The revenues transferred by the law referred to in Paragraph 1 of this Article shall be as follows:

- 1) Revenue from personal income tax;
- 2) Revenue from tax on real estate transfer;
- 3) Revenue from concessions and other fees for using natural resources awarded by the State;
- 4) Revenue from annual fees for the registration of motor vehicles, tractors and trailers;
- 5) Revenue from fees for use of motor vehicles and their trailers (eco-fee), which shall be paid upon the registration.

- (Law 74/2010) -

### **Revenue from Personal Income Tax**

#### **Article 26**

(1) 12% of revenues from personal income tax collected at the territory of a Municipality shall be transferred to the Municipality.

(2) Exceptionally from Paragraph 1 of this Article, 16% of revenues from personal income tax shall be transferred to the Historic Capital and 13% to the Capital City.

(3) Funds from Paragraphs 1 and 2 of this Article shall be directly paid through an authorized agent for payment operations to the accounts of the Municipal Budget.

- (Law 74/2010) -

### **Revenue from Tax on Real Estate Transfer**

#### **Article 27**

80% of revenues from the tax on real estate transfer collected at the territory of a Municipality shall be transferred to the Municipality.

- (Law 74/2010) -

### **Revenue from Concessions and Other Fees**

#### **Article 28**

(1) 70% of concessions and other fees (hereinafter referred to as fees) for using natural resources of general interest located within its territory shall be transferred to the Municipality; except for revenue from the concession fee for the use of ports where 20% shall be transferred to the Municipality on whose territory the ports are located and revenue from the concession fee for the use of forests where 70% shall be transferred to the Municipality on whose territory the forests subjected to the concession are located.

(2) 20% of revenue of the fee for use of coastal resources collected at the territory of a Municipality shall be transferred to the Municipality.

(3) Natural resources referred to in Paragraph 1 of this Article shall consist of: forests, water, watercourses, mineral wealth, sand, gravel, stones and other natural resources in accordance with the law that regulates state property.

(4) If natural resources are located at territories of two or more municipalities, the revenue from the fee for use of natural resources shall be divided proportionally to the portion of municipalities in the area, or value of the natural resources subjected to the concession.

- (Law 74/2010) -

**Revenue from Fees for Use of Motor Vehicles and Their Trailers**  
**Article 28a**

30% of the revenues of fees for use of motor vehicles and their trailers (eco-fee) shall belong to the Municipality.

- (Law 74/2010) -

**III FINANCIAL EQUALIZATION OF MUNICIPALITIES**

**1. Equalization Fund**

**Article 29**

(1) Financial equalization or balance of municipalities shall be performed through the Equalization Fund (hereinafter referred as "Fund").

(2) Fund's means shall be provided from following revenues:

- Personal income tax to the amount of 11% of revenues collected on that basis;
- Tax on real estate transfer to the amount of 10 % of revenues collected on that basis;
- Tax for use of motor vehicles, crafts, aircrafts and aero jets to the amount of 100% of revenues collected on that basis;
- Concession fees from games of chance in the amount of 40% of the revenues collected on that basis.

(3) Exceptionally from Paragraph 2 of this Article, means for the Equalization Fund may be provided by short-term loans from the State Budget.

(4) Means from Paragraphs 2 and 3 of this Article shall be earmarked on a special account of the Equalization Fund by an authorized agent for payment operations.

- (Law 74/2010) -

**Right to Use Fund's Means**

**Article 30**

(1) The right to use means from the Fund for current year shall belong to municipalities which average fiscal capacities per capita in three last fiscal years previous of the year of the allocation of Fund's means are lower than an average fiscal capacity per year of all municipalities for the same period.

(2) The fiscal capacities referred to in Paragraph 1 of this Article shall be determined through assessment of total local fiscal incomes which municipalities can realize from its own resources and transferred state revenues.

(3) The local fiscal incomes from its own resources referred to in Paragraph 2 of this Article shall include following revenues: municipal taxes, charges and fees, except of the fee for utility equipment of the construction land.

(4) The Ministry of Finance shall prescribe in details a manner of determine of the fiscal capacities of municipalities.

- (Law 74/2010) -

**2. Criteria for Allocation of the Fund's Means**

**Article 31**

Allocation of the Fund's means shall be made in accordance with following proportions:

- 1) 60% on the basis of the fiscal capacity, and
- 2) 40% on the basis of budgetary needs.

- (Law 74/2010) -

### **Article 32**

(1) The Fund's means referred to in Article 31 Paragraph 1 Point 1 of this Law shall be allocated to municipalities based on estimated fiscal capacities of the municipalities determined in accordance with Article 30 of this Law.

(2) The amount of means determined in accordance with Paragraph 1 of this Article shall be increased:

- For the Historical Capital by applying coefficient of 2.50;
- For a municipality under 3.000 inhabitants by applying coefficient 2.00; and
- For a municipality with more than 3.000 and less than 6.000 inhabitants by applying coefficient 1.50.

- (Law 74/2010) -

### **Article 33**

(1) Municipal budgetary needs shall be determined based on estimated budgetary needs per capita of the Municipality in relation to the estimated budgetary needs per capita of all municipalities.

(2) Allocation of the Fund's means referred to in Article 31 Paragraph 1 Point 2 of this Law shall be made in following amounts:

- 1) Accurate 20% in equal amounts to all municipalities entitled for the equalization means in accordance with Article 30 of this Law,
- 2) Rest of means shall be allocated in the amount of 60% based on territory and 40% based on number of inhabitants of the Municipality.

(3) The Ministry of Finance shall prescribe the methodology, elements and criteria for the estimation of the budgetary needs referred to in Paragraph 1 of this Article.

- (Law 74/2010) -

### **Article 34**

(1) The Fund's means shall be allocated to municipalities during the year in monthly advance payments and after the end of the year after the final allocation.

(2) 90% of available Fund's means shall be allocated to municipalities during the year.

(3) A Pan of Advance Payments of Fund's means for next year shall be brought until the end of October of a current year.

(4) The final allocation of the Fund's means for previous year shall be made until the end of March of next year. - (Law 74/2010) -

(5) The Ministry of Finance shall decide upon the allocation of means referred to in Paragraphs 3 and 4 of this Article.

(6) Decisions on the allocation of means referred to in Paragraph 5 of this Article shall be published in the "Official Gazette of Montenegro".

(7) The Ministry of Finance shall prescribe in details a methodology for the allocation of the Fund's means and methodology for use of non-allocated Fund's means. - (Law 74/2010) -

## **1. Committee for Monitoring Development of the System of Fiscal Equalization of Municipalities**

### **Article 35**

(1) The Committee for Monitoring Development of the System of Fiscal Equalization of Municipalities (hereinafter referred as the "Committee") shall be establish in order to monitor development of the system of fiscal equalization of municipalities, and especially in order to provide the equity, efficiency and transparency of the system.

(2) Competences of the Committee referred to in Paragraph 1 of this Article shall be as follows:

- To monitor the implementation of the criteria for fiscal equalization;
- To give recommendations for overcoming notices disadvantages in the implementation of the criteria for fiscal equalization;
- To give opinions on documents of the Ministry of Finance related to the allocation of Fund's means;
- To prepare reports on development of the system of fiscal equalization of municipalities and to give proposals for its improvement.

(3) The Committee shall consist of seven members. Five of them shall be appointed by the Association of Municipalities of Montenegro, and per one by the Ministry of Finance and ministry in charge for local self-government issues.

(4) The Committee shall be appointed for a period of five years.

(5) The Committee shall elect a President of the Committee among representatives of the Association of Municipalities at its constitutive session. The President of the Committee shall be elected for a period of a year.

(6) Rules of Procedures of the Committee shall regulate the issues important for its work.

(7) The Committee's work shall be financed by the Fund's means.

(8) The Ministry of Finance shall provide vocational and administrative tasks for the needs of the Committee.

#### **IV      *CONDITIONAL GRANTS FROM THE STATE BUDGET***

##### ***Article 36***

(1) A municipality shall be entitled to use conditional grants from the State Budget for financing investment projects that are of special interest for one or several municipalities.

(2) The grants referred to in Paragraph 1 of this Article may be used for co-financing projects which shall be financed by donors.

*- (Law 74/2010) -*

##### ***Article 37***

(1) The right to use conditional grants from Article 36 of this Law shall have a municipality that has adopted perennial capital investment plan.

(2) The Perennial Capital Investment Plan defines especially: capital requirements (the list of all needs to achieve optimum level of public services), capital procurement (supplies and equipment), priorities of the environmental impacts, and the impact on the Budget, financial resources and justification for each project from the Plan.

(3) The Perennial Investment Plan shall be adopted for a period of five years.

##### ***Article 38***

(1) A Municipality may be given, in form of conditional grants, a maximum 50% of the funds envisaged for realization of an investment project.

(2) The amount of conditional grants shall be determined depending on the level of realized revenues from the fee for utility equipment of the construction land per capita in relation to the average realized revenues of all municipalities in the year preceding the year for which conditional grants are awarded, as follows:

- 1) If the revenues of a municipality per capita are lower than 50% in comparison to the average realized revenues of all municipalities, the Municipality shall be eligible for the conditional grant to the amount of 50% of the value of the investment project;



- 2) If the revenues of a municipality per capita are lower than 50%-70% in comparison to the average realized revenues of all municipalities, the Municipality shall be eligible for the conditional grant to the amount of 35% of the value of the investment project;
- 3) If the revenues of a municipality per capita are lower than 70%-90% in comparison to the average realized revenues of all municipalities, the Municipality shall be eligible for the conditional grant to the amount of 20% of the value of the investment project;
- 4) If the revenues of a municipality per capita are higher than 90% in comparison to the average realized revenues of all municipalities, the Municipality shall be eligible for the conditional grant to the amount of 10% of the value of the investment project.

(3) Decision on granting conditional grants shall be made by the Government of Montenegro (hereinafter referred as "the Government") at the proposal of the Ministry of Finance.

(4) A justified request for the conditional grants for next year shall need to be submitted to the Ministry of Finance until the end of September of a current year.

(5) An opinion of a ministry in charge for the sector in which the investment project is indented to be implemented shall be submitted along with the request referred to in Paragraph 4 of this Article.

- (Law 74/2010) -

## **V FORMS OF MUNICIPAL FINANCING**

### **1. Budget**

#### **Article 39**

(1) Municipality shall have its own budget.

(2) The Municipal Budget shall be adopted for a fiscal year starting from January 1<sup>st</sup> until December 31<sup>st</sup> of a calendar year.

(3) The Municipal Budget shall include all revenues that belong to a municipality and all the expenditures from its jurisdiction.

(4) The Municipal Budget shall include revenues by sources and expenditures by functional and economic classifications.

- (Law 74/2010) -

#### **Article 40**

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- (Law 74/2010) -

#### **Article 41**

(1) Revenues and expenditures have to be balanced.

(2) Expenditures of the Municipal Budget may only be financed from revenues and budgetary reserves, including short-term loans for expected revenues intended for satisfying short-term needs for liquidity.

(3) Current expenditures of the Municipal Budget and debt repayments must be financed from current revenues.

(4) The current expenditures referred to in Paragraph 3 of this Article shall include: gross salaries and benefits, other personal income, expenditures for supplies and services, maintenance, interest, rents, subsidies, other expenditures, social protection transfers and transfers to institutions, individuals, NGOs and public sector.

(5) The current revenue referred to in Paragraph 3 of this Article shall include: municipal taxes, charges and fees, transferred income and the Fund's means, except for the fee for utility equipment of the construction land.

- (Law 74/2010) -

#### **Article 42**

(1) The budget decision bill shall be defined by a Mayor who shall forward it to Assembly by the end of November of the year preceding the year which the budget shall be enacted for.

(2) The Budget Decision shall specifically include:

- 1) Normative part that more closely defines its implementation;
- 2) Estimation of revenues and expenditures listed according to economic and functional classifications;
- 3) Expenditures of spending units;
- 4) Use of surplus and deficit cover;
- 5) Current and permanent budget reserve.

#### **Article 43**

Along with the Budget Decision bill referred to in Article 42 of this Law, the following shall be presented to the Municipal Assembly:

- 1) Report on conducted budget public hearing;
- 2) Review of revenues and expenditures for the previous fiscal year;
- 3) Report on execution of the budget for nine months of the current fiscal year and estimation of execution of the budget for the remaining three months of the current fiscal year;
- 4) Review of the planned revenues and expenditures for the following three fiscal years;
- 5) Opinion of the Ministry of Finance on the proposed level and structure of expenditure, salary policy, capital expenditures and financial sources and surplus or deficit level.

- (Law 74/2010) -

#### **Article 44**

(1) The Budget shall have to be passed before the beginning of the year it refers to.

(2) If the Budget is not passed by the deadline referred to in Paragraph 1 of this Article, a decision on temporary financing shall be brought for a period of three months.

(3) The temporary financing referred to in Paragraph 2 of this Article may be carried out to the amount that corresponds to 1/12 (one/twelfth) of realized expenditures in the previous fiscal year.

(4) The Decision on temporary financing shall be made by the Municipal Assembly.

#### **Article 45**

In cases of planned revenues shortfalls or planned expenditures increase during a fiscal year, budget adjustment shall be performed in compliance with the procedure prescribed for its enactment.

#### **Article 46**

A municipality that received special-purpose funds from the State Budget shall keep the funds separate from its own funds and use them only for the purposes they have been approved for.

#### **Article 47**

Provisions of the Law on Budget shall be applied to the preparing, planning, managing the budget and other issues not regulated by this Law.

## **2. Budget Execution**

#### **Article 48**

(1) Upon the Budget enactment, local government body in charge for finance shall inform spending units about approved funds (appropriations).

(2) Budget funds shall be used for the purposes determined by special laws and municipal regulations.

(3) All beneficiaries of the budget funds shall have to use the means for determined purposes economically and in compliance with the regulations on use or disposal of the means.

#### **Article 49**

(1) During the year, budget funds shall be, as a rule, put at disposal to all bearers and beneficiaries of those funds within the realized revenues and depending on due liabilities, if a law or a municipal regulation or a contract with a bearer or beneficiary of budget funds do not regulate otherwise.

(2) Spending unit shall use the appropriated funds in compliance with the time schedule approved by a Mayor.

#### **Article 50**

If, due to uneven inflow of budget revenues, discharge of planned expenditures cannot be carried out, the following may be used to cover those expenditures: reserve funds and short-term loans within the limits provided for in this law.

#### **Article 51**

(1) In the case of circumstances that were unknown at the moment of passing the budget, a Mayor may, on the basis of a spending unit's justified request, reallocate spending units' funds for specific purposes, (by increasing or decreasing funds) and up to 10% of the funds specified for the spending unit.

(2) Spending units may, if approved by a Mayor, reallocate granted funds for particular purposes up to the amount of 10% of funds provided for purposes whose amount is suppose to be changed.

#### **Article 52**

(1) A Mayor shall be accountable for the municipal budget execution.

(2) The budget implementer shall be responsible for purposeful utilization of budget funds.

### **3. Budget Reserves**

#### **1) Current Budget Reserves**

#### **Article 53**

(1) A part of planned revenues within the budget shall not be allocated in advance, but kept as a current budget reserve.

(2) Funds of the current budget reserves shall be used for unforeseen or insufficiently foreseen activities that are financed from the budget.

(3) Funds from the current budget reserve shall be put at disposal of a Mayor in compliance with the Municipal Assembly regulation.

(4) The Mayor may authorize a budget implementer to manage the funds of the current budget reserve up to a certain amount.

#### **2) Permanent Budget Reserves**

#### **Article 54**

(1) The Budget shall provide funds for a permanent budget reserve, which shall be presented as a separate item of the expenditures.

(2) The permanent budget reserve shall be used for financing expenditures made for participation of a local authority in eliminating consequences of extraordinary circumstances, such as flood, drought, earthquake, fire, environmental and other natural disasters, or other extraordinary events that can jeopardize lives and health of people and cause large-scale damages.

(3) The permanent budget reserve may be used for temporary execution of budget liabilities created due to lower revenues and for covering budget deficit.

(4) No more than 2% of the total revenues in a budget year shall be allocated to the permanent budget reserve.

(5) The Municipal Assembly shall make decision on utilization of the funds from the permanent budget reserve.

#### **4. Final Budget Statement**

##### **Article 55**

(1) Upon the expiry of the year the budget is adopted for, the Municipal Assembly shall adopt the final budget statement.

(2) The final budget statement shall include:

- 1) Balance sheet;
- 2) Balance of incomes and expenditures, reported in accordance with the organizational, functional and economic classifications;
- 3) Report on capital expenditures and funding;
- 4) Cash flow report;
- 5) Report on execution of the budget, prepared in the way that shows the difference between approved and executed funds;
- 6) Justification of significant aberrations between appropriated funds and executed funds;
- 7) Report on received domestic and international donations and loans, and executed debt repayments;
- 8) Report on using current and permanent budget reserves funds;
- 9) Report on guarantees issued during the fiscal year; and
- 10) External auditing report on financial reports referred to in items 1-9 of this Paragraph.

##### **Article 56**

(1) Proposal of the final budget statement shall be determined by the Mayor who shall submit it to the Municipal Assembly by the end of May of the current year.

(2) The final budget statement shall be delivered to the Ministry of Finance within 30 days from the day of its enactment.

##### **Article 57**

Along with the final budget statement, the bills of profits and losses of public enterprises and institutions, permanent reserves and the balance of property dated on December 31<sup>st</sup> of the year the budget refers to shall be also submitted to the Municipal Assembly.

##### **Article 58**

Public enterprises and institutions established by the municipality, as well as other legal entities in which the municipality has a majority stake shall submit their final financial statements to the municipal body in charge for finances for inspection within 30 days after adopting.

#### **5. Investment Policy**

##### **Article 59**

(1) Municipalities shall pursue their investment policies in compliance with good financial management practice.

(2) A decision of a Municipality Assembly on investment policy shall define the availability of unused funds, types of securities where unused funds may be invested, diversification investment policy, quality of instruments the means are to be invested in, and other issues significant for investments.

(3) The Mayor shall make the decision on investments, in compliance with the established investment policy and at the proposal of the local administration body in charge of finances.

### **Article 59a**

(1) When a municipality is in financial difficulties for more than 90 days, it shall be under obligation to prepare a Rehabilitation Plan with a Program of Measures for Overcome Financial Difficulties within 30 days of a warning from the Government.

(2) The term of financial difficulties referred to in Paragraph 1 of this Article means the inability of a Municipality to settle obligations to its employees, the State, legal entities and other creditors, more than 90 days.

(3) If a Municipality do not prepare or do not implement the Rehabilitation Plan referred to in Paragraph 1 of this Article in a deadline longer than six months from the warning, the Government may undertake measures stipulated by the Constitution and the law regulating the local self-government, on a proposal of state administration body in charge for local self-government issues, and upon an obtained opinion of the Ministry of Finance

- (Law 74/2010) -

## **VI BORROWING**

### **Article 60**

(1) A municipality may be indebted by issuing securities or taking out loans.

(2) Municipalities shall issue securities in accordance with a law.

### **Article 61**

(1) Municipalities may take short-term loans intended for satisfying short-term needs for liquidity.

(2) A short-term loan, in a sense of Paragraph 1 of this Article, means any credit where the principal repayment schedule does not extend beyond 12 months.

(3) The Decision on Borrowing shall be published in the "Official Gazette of Montenegro".

### **Article 62**

(1) A Municipality may raise long-term loans and give guarantees.

(2) Long-term loan, in sense of Paragraph 1 of this Article, is any credit where the principal repayment schedule extends beyond 12 months.

(3) A Municipality may take long-term loans only for the purposes of financing capital infrastructure projects or for the purchase of capital assets, in compliance with approved Perennial Capital Investment Plan.

(4) Long-term loans may not be used to finance current expenditures.

(5) The Decision on Borrowing shall be published in the "Official Gazette of Montenegro".

### **Article 63**

(1) Contracts on borrowing shall be concluded by Mayor, on the basis of Assembly's decision.

(2) A local administration body in charge of finance shall keep a record on the existing debt of a municipality, and short-term and long-term loans.

### **Article 64**

(1) A municipality may be indebted in a such way that the total payments of principal and interest, payments under a leasing contract, repayment of obligations for prior period and any other obligations that have the character of the debt may not exceed 10% of the realized current income in a year preceding the year of borrowing, with the previous approval of the Government.

(2) The provision from Paragraph 1 of this Article shall not be implemented on the municipal borrowing intended for the implementation of the Rehabilitation Plan for Overcoming Financial Difficulties.

(3) More detailed guidance on the content of the borrowing of municipalities and information on eligibility for their borrowing shall be prescribed by the Ministry of Finance.

- (Law 74/2010) -

#### **Article 65**

(1) Public enterprises, institutions, and other legal entities founded by a municipality can be indebted only with the approval of the founder.

(2) The approval referred to in Paragraph 1 of this Article shall be given by the Municipal Assembly.

(3) Restrictions from the Article 73 of this Law shall also include possible borrowing of public companies and institutions founded by the municipality.

### **VII LOCAL SELF-GOVERNMENT TREASURY**

#### **1. Consolidated Treasury Account and General Treasury Ledger**

##### **Article 66**

(1) Local administration body in charge of finance activities shall open a consolidated treasury account.

(2) Financial means of the budget shall be deposited on the consolidated treasury account.

(3) No payment shall be done from the consolidated treasury account without being approved in the budget.

(4) Local administration body in charge of finance activities shall be authorized to approve opening of sub-accounts, or other accounts as an integral part of the consolidated treasury account.

(5) Local administration body in charge of finance activities shall regulate in details the way of using funds from the account referred to in Paragraph 4 of this Article.

(6) Local administration body in charge of finance activities shall manage the consolidated treasury account, sub-accounts and other accounts.

(7) Local administration body in charge of finance activities shall keep the General Treasury Ledger.

(8) Separate records for every user of the budget means shall be kept in the General Treasury Ledger.

(9) Transactions and events recorded in the Ledger Book of users of budget means must at any moment be in compliance with the transactions in the General Treasury Ledger and in align with the local consolidated bank account.

#### **2. Treasury Activities**

##### **Article 67**

Local administration body in charge of finance activities shall perform the treasury duties by executing the following functions:

1) Financial planning, which includes:

- Projection and monitoring inflow on the consolidated treasury account, and expenditure payment requests that include the analysis of cash flow, budget execution plan and debt service;
- Definition of quarterly, monthly, and daily quotas of retrieved payment and commitments.

- 2) Cash management, which includes:
  - Consolidated treasury account management where all inflows and all outflows coming in and out from the budget and that refers all payments from the budget related to opening and control of bank accounts and sub-accounts and banking relations management;
  - Liquidity management;
  - Further elaboration of procedures in regard to receiving payments through the banking system;
  - Financial sources management including investments of available funds.
- 3) Expenditures control, which includes managing the processes of approval of retrieved commitments, checking received goods and services and approving payments from budgetary funds).
- 4) Debt management, which includes:
  - Management of new loans negotiations and agreements;
  - Keeping debt records;
  - Inflow management from borrowing.
- 5) Budget accountancy and reporting, which includes:
  - Accounting activities for payment processing and inflow registration, maintaining daybook, ledger book, and selected accessory books for all inflows and outflows, and international donations and other types of support;
  - Financial reporting;
  - Accounting methodology, which includes maintenance of the classification system, prescribing rules for budget accounting, and prescribing requirements for internal and external reporting.
- 6) Managing financial information system.

#### **Article 68**

In relation to other issues regarding the local self-government treasury functioning, provisions of the Budget Law shall be implemented unless otherwise is defined by this law.

### **VIII SUPERVISION**

#### **Article 69**

A Municipal Assembly shall perform supervision over the budget execution and purposeful utilization of the funds that are appropriated for certain purposes in the budget, as determined by the Statute.

#### **Article 70**

A Mayor shall perform supervision over financial, material and accountancy management of budget users regarding the purpose, extend and dynamic of utilization of the funds, as determined by the Statute.

#### **Article 71**

The competent local administration body shall perform administrative supervision of the implementation of this Law.

#### **Article 72**

(1) Ministry in charge of finance shall supervise legality of work of local administration bodies in the implementation of this Law.

(2) Ministry in charge of finance may require the state administration body in charge of auditing to review financial management of a municipality regarding: security, reliability, cost-efficiency, effectiveness and purposefulness of using local self-government budget funds related to the tasks transferred and delegated to a municipality.

### **Article 73**

A Mayor shall present the report on control in relation to Article 72 of this Law to the Municipal Assembly and s/he shall inform within 30 days the ministry in charge of finance about the taken measures.

### **Article 74**

(1) Municipalities shall be under obligation to present to the ministry in charge of finance the data on revenues and expenditures, as well as on budget borrowings, at least quarterly within 30 days after the end of a quarter.

(2) Form of enclosure and contents of data referred to in Paragraph 1 of this Article shall be regulated by the Minister of Finance.

### **Article 74a**

A municipality that does not proceed in accordance with the provisions from Articles 43, 57, 64 and 74 of this Law may temporarily be deprived of funds that it receives from the revenues transferred by the law.

- (Law 74/2010) -

## **IX SPECIAL PROVISIONS**

### **Pursuant Implementation of Regulations Relating to Tax Procedure**

#### **Article 75**

Regarding the method of calculation and payment of municipal taxes, tax procedure, local tax system functioning and other issues that are not regulated in details by this Law, the provisions of the law regulating tax administration shall be accordingly implemented.

## **X TRANSITIONAL AND FINAL PROVISIONS**

### **Article 76**

By-laws for implementation of this Law shall be passed within 120 days after this Law comes into force.

#### **Article 76a**

By-laws referred to in Article 30 Paragraph 4, Article 33 Paragraph 7 and Article 64 Paragraph 3 of the Law on Local Self-Government Financing shall be passed within six months after this Law comes into force.

- (Law 74/2010) -

#### **Article 76b**

(1) Provisions of Article 28 of this Law regarding the incomes from concession fee for forests use shall be transferred to municipalities by rate of 50% for year 2011, and by rate of 70% starting from the January 1<sup>st</sup>, 2012.

(2) Provisions of Article 28 of this Law regarding the incomes from the fee for use of coastal resources transferred to municipalities shall be implemented from January 1<sup>st</sup>, 2012, as following: by a rate of 20% for year 2012, and by a rate of 50% starting from January 1<sup>st</sup>, 2013.

- (Law 74/2010) -

#### **Article 76c**

(1) Provision of Article 30 of this Law shall be implemented from January 1<sup>st</sup>, 2015.



(2) The average fiscal capacities of municipalities referred to in Article 30 of this Law for years 2012, 2013 and 2014 shall be determined based on fiscal capacities of municipalities from the previous fiscal year.

- (Law 74/2010) -

#### **Article 76d**

Provisions from Article 41 Paragraphs 3, 4 and 5 of this Law shall be implemented from January 1<sup>st</sup>, 2012. - (Law 74/2010) -

#### **Article 77**

(1) The Local Self-Government Finance Commission shall be established within 60 days after this Law comes into force.

(2) The Minister of Finance shall call for the consultative session referred to in Paragraph 1 of this Article.

#### **Article 78**

When this Law comes into force, the Law on the System of Public Revenues ("Official Gazette of the Republic of Montenegro", no. 30/93, 3/94, 42/94, 13/96 and 45/98) and provisions from Articles 1, 14, 15, 17, 19, 20, 21, 22 and 23 of the Law on Communal Charges and Fees for firm name posting and pay of fee for use of communal goods of general interest shall cease to be valid.

#### **Article 79**

This Law shall come into force within eight days from the day of its publishing in the "Official Gazette of the Republic of Montenegro", and it shall be implemented from January 1<sup>st</sup>, 2004.

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### ***Provisions of the Amending Law to the Law on Local Self-Government Financing ("Official Gazette of Montenegro", No 5/08), Which have not be Included in the Revised text of the Law***

#### **Article 34**

(1) The Commission for Monitoring the Development of the Fiscal Equalization System of Municipalities shall be constituted within a deadline of 30 days after this Law comes into force.

(2) The Minister of Finance shall call for the first session of the Commission referred to in Paragraph 1 of this Article.

#### **Article 35**

This Law shall come into force a day after its being published in the „Official Gazette of Montenegro“, and it shall be implemented starting from January 1<sup>st</sup>, 2008.

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***Provisions of the Amending Law to the Law on Local Self-Government Financing  
("Official Gazette of Montenegro", No 74 /2010),  
Which have not be Included in the Revised text of the Law***

***Article 29***

When this Law comes into force, the Law on the Tax on Games on Chance and Entertainment Games («Official Gazette of the Republic of Montenegro», No. 27/06), Article 58 Paragraph 4 of the Forests Law («Official Gazette of the Republic of Montenegro», No. 55/00), Article 27 Paragraph 27 of the Mining Law («Official Gazette of Montenegro», No. 65/08) and Article 4 Paragraph 2 of the Law on the Water Management Financing («Official Gazette of Montenegro», No. 65/08) shall ceased to be valid.

***Article 30***

This Law shall come into force on the eighth day after it's being published in the „Official Gazette of Montenegro“, and it shall be implemented starting from January 1<sup>st</sup>, 2011.