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THE LAW ON LOCAL SELF-GOVERNMENT FINANCE

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By virtue of Article 95(3) of Montenegrin Constitution I hereby issue the

**DECREE PROMULGATING
THE LAW ON LOCAL SELF-GOVERNMENT FINANCE**

(Official Gazette of Montenegro 003/19 of 15 January 2019)

I hereby promulgate the Law on Local Self-Government Finance passed by the 26th Parliament of Montenegro at the eight sitting of the second ordinary (autumn) session in 2018 on 28 December 2018.

**Number: 01-1973/2
Podgorica, 31 December 2018
The President of Montenegro,
Milo Đukanović, m.p.**

Pursuant to Article 82(2) of Montenegrin Constitution and the Amendment IV(1) to the Constitution, the 26th Parliament of Montenegro passed at the eighth sitting of the second ordinary (autumn) session in 2018 on 28 December 2018 the following

LAW ON LOCAL SELF-GOVERNMENT FINANCE

I. BASIC PROVISIONS

Article 1

This Law shall govern the sources of funding, the method for financial equalisation, and financing the functions performed by local self-governments, which are: municipalities, the Capital City borough, the Capital City, and the Old Royal Capital (hereinafter: Municipality).

Article 2

The financing of core municipal functions shall be provided by Municipal Budget. Municipality shall dispose of the funds referred to in paragraph 1 above autonomously. The funds referred to in paragraph 1 above shall reflect the expenditures required for financing municipal functions as set out in law.

Article 3

The funds for performing delegated and devolved powers shall be provided from the Budget of Montenegro (hereinafter: Central Budget) in terms with the legislation governing the delegation or devolution of powers.

Article 4

The provisions of the law governing personal income tax (PIT) shall apply mutatis mutandi on the method of calculation, payment and reporting in reference to the surtax to PIT and other issues not covered by the present Law.

The control over the calculation and enforcement of the PIT surtax shall be carried out by the relevant municipal tax authority, in line with the legislation on tax procedures and tax administration.

The provisions of the law governing tax administration shall apply mutatis mutandi to the method of calculation and payment of municipal taxes, the tax procedures, the operation of the local tax authority, and other matters not covered by this Law.

The provisions of the law governing budget and fiscal responsibility shall apply mutatis mutandi to budget development, planning and management processes, treasury operation and other matters not covered by this Law.

Article 5

The terms used herein for natural persons in masculine gender shall be taken to include the same terms in feminine gender.

II. SOURCE OF FUNDING

Article 6

Municipality shall receive finance from:

- 1) own-source revenues;
- 2) shared revenues;
- 3) the Equalisation Fund; and
- 4) the Central Budget.

1. Own-source revenues

Article 7

Municipal own-source revenues shall include:

- 1) property tax, in line with the law;
- 2) surtax to PIT, in line with this Law;
- 3) local administrative fees, in line with the law;
- 4) municipal fees, in line with the law;
- 5) charges for provision of utilities at buildable land, in line with the law;
- 6) development fee, in line with the law;
- 7) town rent, in line with the law;
- 8) municipal road usage fee, in line with the law;
- 9) fee for environmental protection and upgrade, in line with the law;
- 10) proceeds from sale and lease of municipal property;
- 11) gains on capital (interest, shares and ownership stakes);
- 12) fines imposed and assets seized in misdemeanour proceedings;
- 13) revenues from concessions on utilities and revenues from other concessions awarded by Municipality in line with the law;
- 14) revenues generated by municipal authorities, services and organisations through own operations;
- 15) grants and subsidies; and
- 16) other revenues envisaged by law.

PIT surtax

Article 8

Municipality may levy PIT surtax at the rate of up to 13% on legal and physical entities performing their activity within its territory.

By way of derogation from paragraph 1 above, the PIT surtax rate for the Capital City and the Old Royal Capital may amount up to 15%.

The PIT surtax shall be payable to the tax on personal earnings, self-employment income, property and assets gains, and gains on capital.

Article 9

The PIT surtax is payable at the rate set out by Municipality.

2. Shared revenues

Article 10

Shared revenues for Municipalities shall include revenues from:

- 1) PIT tax;
- 2) property sale tax;
- 3) concession and other charges for utilisation of assets of common interest awarded by the central government, in line with this Law;
- 4) annual registration fees for vehicles, tractors and trailers.

PIT revenues

Article 11

Municipality shall receive a share of PIT revenues based on tax-payers' place of residence as follows:

- 1) a share of 12% for coastal municipalities, but 20% for the Municipality with the development level below 100% of the average development index value, in line with the law governing regional development;
- 2) a share of 14% for central region municipalities, but 15% for the Capital City and 18% for the Old Royal Capita;
- 3) a share of 50% for northern municipalities, but 70% for the ones with the total population under 3,000.

Property sale tax revenues

Article 12

Municipality shall receive 80% of the revenues collected as tax on property sold within its territory.

Revenues from concession and other charges for utilisation of assets of common interest

Article 13

Municipality shall receive 70% of revenues from concessions and other charges (hereinafter: Concession Charges) payable for utilisation of assets of common interest located within its territory, with the exception of concessions for ports, where 50% goes to the Municipality within whose territory the given port is located.

Within the meaning of this Law, the assets of common interest shall include:

- natural resources (mineral ores, water, sand, gravel, stone and other natural resources);
- assets in common use (roads, squares, water courses, sea ports, airports, town parks, etc.); and
- other assets of common interest (cultural assets, buildable land, agricultural land, forests and woodlands, protected reserves and habitats of endangered or protected animal and plant species, and other assets in line with the law, with the exception of the Marine Domain).

If an asset of common interest spans across the territories of two or more Municipalities, the revenues collected shall be split proportionally to the share of municipal territory in the area or the value of assets subject to concession.

Revenue from annual registration fee for road vehicles, tractors, trailers and other motor-powered road vehicles

Article 14

Municipality shall receive 100% of revenues from the annual registration fees for road motor vehicles, tractors, trailers and other road motor-powered vehicles collected within its territory.

3. Financial equalisation

The Equalisation Fund

Article 15

Financial equalisation shall be done via the Equalisation Fund.

The Equalisation Fund revenues shall be deposited to a separate account of the state administration authority responsible for finance (hereinafter: Ministry) and shall be provided as follows:

- 11% of the total PIT collected;
- 10% of the total property sale tax revenues;
- 100% of the collected tax for usage of motor vehicles, watercraft, aircraft and air-borne craft;
- 40% of concessions from gambling operations.

By way of derogation from paragraph 2 above, the Equalisation Fund's revenues may be secured through short-term loans from the Central Budget.

Eligibility for accessing the Equalisation Fund

Article 16

Municipality with development levels below 100% of the average development index value, in line with the law governing regional development, shall be eligible for funding

from the Equalisation Fund for the year in which such distribution is made. By way of derogation from paragraph 1 above, the Old Royal Capital shall not be eligible for benefitting from the Equalisation Fund, in line with the law.

Criteria for Equalisation Fund distribution

Article 17

The distribution of the Equalisation Fund shall be done as follows:

- fixed allocation of 15% in equal amounts for all municipalities eligible for using the Equalisation Fund as referred to in Article 16(1) above;
- further 35% based on the total area and population in the ratio of 50:50; and
- the remaining 50% based on the average calculated PIT revenues per capita individually for each municipality for the year preceding the year when the allocation is made in reference to the average calculated PIT revenues per capita for all municipalities for the given period.

The amount defined in line with paragraph 1 item 3 above shall be increased by applying the ratio of:

- 1.5 for a municipality with the total population under 3,000;
- 1.1 for a municipality with the total population above 3,000, but below 6,000.

The data held by the administration authority responsible for official statistics shall be used to define the total populations and territories of each Municipality.

By way of derogation from paragraph 1 item 3 above, the equalisation for municipalities where the average calculated PIT revenue accounts for less than 20% of the average across all municipalities shall be done up to 50% of the calculated PIT average for all municipalities for the given period.

The data held by the administration authority responsible for calculation, verification and collection of taxes shall be used when calculating PIT revenues referred to in paragraph 1 item 3 above.

Article 18

A newly-established Municipality is entitled to use the Equalisation Fund in the second and subsequent years since its establishment if it separated from a Municipality holding such entitlement under Article 16(1) above.

For a newly established Municipality referred to in paragraph 1 above, the interim disbursements from the Equalisation Fund for the second and subsequent fiscal years since its establishment until meeting the requirements for determining any such entitlement under Article 16(1) above, shall be done in accordance with Article 17(1) and (2) above, and the allocation under Article 17(1)(3) shall be done proportionate to the population of the newly established Municipality as determined by the most recent population census in reference to the Municipality it separated from.

The newly established Municipality that separated from a Municipality that is not a beneficiary of the Equalisation Fund shall acquire the right to such finding upon

meeting the requirements for determining such entitlement as envisaged by Article 16(1) above.

Article 19

The Equalisation Fund's disbursements shall be allocated to municipalities in the course of the year as monthly interim payments, and upon the year's end according to the final allocation.

In the course of the year. Municipalities shall receive interim disbursements up to the amount of 90% of the Equalisation Fund's available funding.

The Equalisation Fund's interim disbursement plan for the coming year shall be adopted by the end of October of the current year for the coming year.

Final Equalisation Fund's allocation for the previous year shall be done by the end of March of the current year.

The allocation referred to in paragraphs 3 and 4 above shall be decided upon by the Ministry.

The written allocation decisions referred to in paragraph 5 above shall be published in the Official Gazette of Montenegro.

More detailed method of the allocation of funding, and the use of the remaining unallocated amounts from the Equalisation Fund shall be set by Ministry.

III. SUPPORT FUND FOR PRE-FINANCING MUNICIPAL DONOR-SUPPORTED PROJECTS

Article 20

The Support Fund for Pre-financing Municipal Donor-Supported Projects (hereinafter: the Support Fund) shall be set up for the sake of pre-financing donor-supported projects. The Support Fund shall receive allocation from the Central Budget in a separate Ministry's account.

The annual Budget Law shall envisage allocation for the Support Fund in line with the estimated value of funding required for pre-financing donor-supported projects in the given budget year.

By way of derogation from paragraph 3 above, the Support Fund may secure funding through short-term borrowing from the Central Budget.

1. Right to disbursements from the Support Fund

Article 21

The Municipality that concluded a project implementation agreement with a donor or a lead partner is entitled to withdrawals from the Support Fund.

If the project implementation agreement with the donor or the lead partner was signed by a company, an institution or other legal entity founded by the Municipality, the

right to withdrawals from the Support Fund shall belong with the Municipality as the founder of the given company, institution or other legal entity. Mutual rights and responsibilities between the Municipality and the company, institution or other legal entity founded by the Municipality shall be governed by means of an agreement.

2. Withdrawals from the Support Fund

Article 22

In order to make withdrawals from the Support Fund, Municipality shall make an application with Ministry, supported by the copy of the agreement entered into with the project donor or the lead partner.

If the agreement with the project donor or the lead partner was entered into by a company, institution or other legal entity founded by Municipality, in addition to the documents referred to in paragraph 1 above, the agreement referred in Article 21(3) shall also be furnished.

The format of the application referred to in paragraph 1 above shall be set by the Ministry.

Article 23

Based on the application and supporting documents lodged pursuant to Article 22 of this Law, Ministry shall make the disbursement to the subaccount intended for project implementation.

If the agreement with the project donor or the lead partner was entered into by a company, institution or other legal entity founded by Municipality, pursuant to the application and the supporting documents Ministry shall make the disbursement to the Municipality that shall, under the agreement referred to in Article 21(3), transfer the funds to the company, institution or other legal entity to a separate account intended for the project implementation.

The funds referred to in paragraphs 1 and 2 above shall be disbursed by the Ministry by the order of application.

Article 24

Municipality shall reimburse the Support Fund after having received the donor or lead partner funding, and no later than within 12 months from pertinent withdrawal. In case of failure to perform the reimbursement referred to in paragraph 1 above, Ministry shall withhold the disbursements owed to the Municipality on the account of shared revenues or the Equalisation Fund, for Equalisation Fund beneficiaries, up to the amount owed.

More detailed method of withdrawing and reimbursing the Support Fund shall be set by the Ministry

Article 25

Ministry shall keep records of all applications for the Support Fund, all withdrawals and reimbursements.

The information referred to in paragraph 1 above shall be published half-yearly at the Ministry webpages.

The method for keeping the records referred to in paragraph 1 above shall be set by the Ministry.

IV. BUDGET PLANNING AND EXECUTION

1. Budget

Article 26

Municipality shall have its budget for a fiscal year which is valid for the year for which it is adopted.

Fiscal year shall coincide with the calendar year.

Municipal budget shall record all receipts belonging to the Municipality and all expenditures from within its remit.

Municipal budget shall record all receipts by their source, and all expenditures by the organisational, functional and economic classifications.

Article 27

Municipal budget receipts and expenditures shall be balanced.

Municipality is obliged to finance current expenditures and provide for debt servicing, with the exception of long-term loans, from current revenues.

Current expenditures referred to in paragraph 2 above shall include: gross salaries and mandatory social contributions, other personal income, expenditures for supplies and services, routine maintenance, interest payment, rent, subsidies, other expenditures, social security transfers, and transfers to institutions, individuals, the non-governmental and private sectors.

Current revenues referred to in paragraph 2 above shall include: municipal taxes, fees and charges, shared revenues, the Equalisation Fund disbursements and other revenues in line with separate legislation, with the exception of charges for provision of utilities at buildable land and provision of alternative accommodation.

Article 28

Municipal budget shall be adopted by the local council.

The draft Municipal Budget Decision for the coming fiscal year shall be approved by the Mayor and submitted to the local council by 01 December of the current year.

Municipal Budget Decision shall contain the general part and the specific part.

The general part shall include:

- 1) estimated current receipts, expenditures and transfers, the primary budget cash surplus or deficit, and the budget cash surplus or deficit;
- 2) estimated current receipts and expenditures using the economic classification;
- 3) budget execution provisions;
- 4) the use of budget cash surplus and deficit coverage;
- 5) current and standing budget reserve.

Separate section of the Municipal Budget shall contain the spending units' expenditures by organisational, functional and economic classifications.

Article 29

Together with the Draft Municipal Budget Decision referred to in Article 28 of this Law, the local council shall be furnished with the following:

- 1) the report on public consultations regarding the Budget;
- 2) an overview of receipts and expenditures for the previous fiscal year;
- 3) budget execution report for the nine months of the current fiscal year and estimated budget execution for the remaining three months of the current fiscal year;
- 4) an overview of anticipated receipts and expenditures for the coming three fiscal years, including an overview of multiannual commitments, multiannual expenditures and the investment programme;
- 5) Ministry's opinion regarding the proposed spending volume and breakdown, payroll policy, capital expenditures and sources of funding, and surplus or deficit levels.

Article 30

Municipal budget for the coming fiscal year shall be adopted no later than by 31 December of the current year.

Should the budget fail to be adopted within the timeframe set in paragraph 1 above, the Interim Finance Decision shall be made for no longer than the first three months of the fiscal year.

The Interim Finance Decision referred to in paragraph 2 above shall include monthly appropriations up to the amount of 1/12 of actual expenditures in the previous fiscal year.

The Interim Finance Decision shall be adopted by the local council.

Should the local council, following the expiry of the time period covered by the Interim Finance Decision, fail to adopt the Budget Decision, payment for municipal liabilities may only be done as per Mayor's order, with prior consent by the Ministry, until the Budget decision has been adopted, and not longer than for three months, while Municipality is not entitled to borrow or use current budget reserve pending the Budget Decision adoption.

In the cases referred to in paras 2 and 5 above, the local administration authority responsible for finance is obliged to post monthly budget spending reports and breakdown of expenditures on municipal webpages.

Article 31

Should in the course of a fiscal year the receipts or expenditures fall short of or exceed the plan, the decision to revise the Budget may be drafted following the same process as for budget adoption.

The revision referred to in paragraph 1 above shall be adopted by the local council no later than by the end of October of the current year, except in exigent circumstances (changes in internal structure, unplanned receipts from sale proceeds or grants, unplanned receipts and expenditures resulting from amendments to legal provisions and contingent expenditures due to natural disasters).

Article 32

Municipality that is provided earmarked funding from the Central Budget shall keep such funds separate from own-source revenues and use them for the designated purposes only.

2. Budget execution

Article 33

Spending units are obliged to use budget allocations within the limits set by the Municipal Budget Decision.

Spending units' commitments shall be in line with planned and approved finance under the Municipal Budget Decision.

Article 34

Spending units shall use their respective appropriations according to the schedule set by the Mayor.

Within the course of one year, a spending unit may assume new commitments also for the coming fiscal year provided that such expenditure is envisaged as multi-year expenditure, with prior consent given by the local administration authority responsible for finance.

Article 35

If the execution of planned expenditures may not be ensured due to uneven revenue inflow, the reserve or short-term loans may be used for such expenditures, within the limits set by this Law.

Article 36

In case of emergence of exigent circumstances unknown at the time of the Budget Decision adoption, Mayor may, based on the reasoned request filed by a spending unit,

reallocate funds envisaged by the Municipal Budget Decision among spending units up to the amount of 10% of the total allocation for the given spending unit.

The amount referred to in paragraph 1 above shall be applied to total planned expenditures of the spending unit whose allocation is being reduced.

Reallocation broken down by the type of expenditure shall be defined by Mayor by a written decision.

Spending units may, with Mayor's approval, reallocate funding under specific items up to the amount of 10% of the item being reduced.

Article 37

Mayor shall be accountable for Municipal Budget execution.

Budget executor shall be accountable for designated use of budget allocations.

3. Budget reserve

Current budget reserve

Article 38

Current budget reserve shall be used for exigent or underallocated expenditures in the course of the fiscal year.

Current budget reserve shall be planned up to the amount of 2% of total municipal receipts for the fiscal year.

Current budget reserve shall be managed by Mayor in line with a regulation adopted by the local council.

Mayor may authorise budget executor to manage current budget reserve up to a certain amount.

Standing budget reserve

Article 39

Standing budget reserve shall be used for municipal expenditures incurred while responding to emergencies (floods, droughts, earthquakes, fires, environmental accidents and other disasters or emergencies that may pose threat to human life and health or cause more substantial harm).

Standing budget reserve shall be planned up to the amount of 2% of total municipal receipts for the fiscal year.

Standing budget reserve shall be managed by Mayor in line with a regulation adopted by the local council.

4. Budget Final Accounts

Article 40

Upon the expiry of the budget year, local council shall adopt final budget accounts. Municipal final budget accounts shall include:

- 1) initial and final balance of the consolidated municipal treasury account (hereinafter: Treasury);
- 2) an overview of deviations in reference to planned amounts;
- 3) balance of receipts and payments, presented in line with organisational, functional and economic classifications;
- 4) capital expenditure and finance reports;
- 5) cash flow statement;
- 6) explanation of major deviations between budget plan and execution;
- 7) report on any domestic or foreign grants and loans and debt servicing;
- 8) report of current and standing budget reserve utilisation;
- 9) report on guarantees issued in the course of the fiscal year;
- 10) arrears report;
- 11) audit report with the opinion on financial statements referred to in items 1 to 10 above.

Article 41

Draft Final Municipal Budget Accounts for the previous year shall be set by the Mayor and submitted to the local council by the end of May of the current year.

The final accounts referred to in paragraph 1 above together with the report referred to in Article 40 (2)(11) of this Law shall be furnished to the Ministry and the State Audit Institution within 15 days from their adoption.

Financial statements of companies, institutions and other entities founded by the Municipality for the same year shall be furnished with the final accounts referred to in paragraph 1 above.

Article 42

Municipality shall post on its webpages the Budget Decision, the Budget Revision Decision, and the Decision on Budget Final Accounts within 15 days from their adoption.

V. BORROWING AND GUARANTEES

Article 43

Within the course of a year, Municipality may borrow up to the limit set by the annual Municipal Budget by issuing bonds or taking loans.

Municipalities shall issue securities in line with the law.

Article 44

Municipality may take short-term loans and issue short-term securities to cater for its short-term liquidity needs.

The short-term loans and securities referred to in paragraph 1 above shall include loans or securities with principal repayment period under 12 months, to be repaid by the end of the fiscal year at the latest.

Short-term loans and securities may be used independently of the annual debt ceilings set by the annual Municipal Budget.

The decision on short-term borrowing shall be made by the Mayor.

Article 45

Municipality may take long-term borrowing for financing its capital expenditures.

The long-term loan within the meaning of paragraph 1 above shall include loans with principal repayment period longer than 12 months.

Long-term loans shall not be used for current expenditures.

The decision on long-term borrowing shall be made by the local council.

Article 46

Municipality may issue guarantees up to the amount set by the annual municipal budget with prior consent of the Government.

Municipal guarantees shall only be granted for financing capital projects.

Article 47

The decision to borrow or issue guarantees shall be issued in the Official Gazette of Montenegro – Municipal Legislation.

Article 48

Borrowing agreements shall be signed by the Mayor.

Agreements and other enactments granting guarantees shall be signed by the Mayor.

Local administration authority responsible for finance shall keep records of the existing municipal debt, short- and long-term loans, and payment of liabilities under guarantees issued.

Article 49

Municipality may borrow so that the total annual principal and interest repayment, payments per leasing contracts and other liabilities that have the nature of debt do not exceed 10% of collected current revenues in the year prior to the year when borrowing is done, with the prior consent of the Central Government.

Municipality may borrow above the ceiling referred to in paragraph 1 above only to finance capital projects of strategic importance for the municipality or the country at large, with the prior consent of the Central Government.

Article 50

A company, institution or other entity founded by Municipality may take long-term debt with Central Government's consent, with the prior consent by its founder.

The founder's consent referred to in paragraph 1 above shall be given by the local council. Municipality shall furnish to the Central Government the decision referred to in paragraph 2 above and the request for long-term borrowing of a company, institution or other entity founded by Municipality.

The ceiling set in Article 49 of this Law shall include possible debt of a company, institution or other entity founded by Municipality.

Article 51

The format of the request for borrowing by Municipality, or a company, institution or other entity founded by Municipality shall be set by the Ministry.

VI. TREASURY

1. Consolidated treasury account and main ledger

Article 52

Municipal Budget's monetary assets shall be deposited at the consolidated treasury account.

Consolidated treasury account shall be opened by the local administration authority responsible for finance.

Payments not approved in the Budget may not be made from the consolidated treasury account.

Local administration authority responsible for finance shall be authorised to request from the Ministry the opening of a subaccount or other accounts as an integral part of the consolidated treasury account.

The manner of using the accounts referred to in paragraph 4 above shall be set by the local administration authority responsible for finance.

Local administration authority responsible for finance shall manage the consolidated treasury account.

Local administration authority responsible for finance shall keep the main treasury ledger.

The main treasury ledger shall have separate records for each spending unit of the municipal budget.

The transactions and events in the main ledger of Municipal Budget's spending units shall be consistent with the transactions in the main treasury ledger and the local consolidated banking account.

2. Treasury operation

Article 53

The treasury functions shall be performed by the local administration authority responsible for finance:

- 1) financial planning, which shall include:
 - projections and monitoring inflows into the consolidated treasury account and requests for payment of expenditures, including the analysis of cash flow, budget execution plan and debt servicing;
 - definition of quarterly, monthly and daily quota for commitments and payments;
- 2) cash management, which shall include:
 - managing the consolidated treasury account for all receipts and making of all payments from the budget, which comprise opening and control of bank accounts and subaccounts, and management of banking relations;
 - liquidity management;
 - development of procedures for collection of receivables through the banking system;
 - management of financial resources, including the investment of disposable funds;
- 3) expenditures control, which shall include management of approval of commitments, verification of goods and services delivery, and approval of payments against the budget;
- 4) debt management, which shall include:
 - managing new loan negotiations and agreements;
 - keeping debt records;
 - managing loan proceeds;
- 5) budget accounting and reporting, which shall include:
 - accounting tasks referring to processing of payments and recording of receipts, keeping the main ledger and selected additional ledgers for all receipts and expenditures, and international grants and other forms of assistance;
 - financial reporting;
 - accounting methodology, including the system classifications, setting budget accounting rules and requirements regarding internal and external reporting;
- 6) financial IT system management.

Article 54

More elaborated rules for treasury operation shall be set by the Ministry.

Article 55

Municipality is obliged to report monthly to the Ministry on total receipts and expenditures and expenditures by spending units within 15 days from the expiry of the month covered by the report.

Municipality is obliged to report quarterly to the Ministry on arrears and budget debt, not later than within 15 days from the expiry of the quarter covered by the report. Quarterly statements of all collected receipts, effectuated expenditures, outstanding liabilities and budget debt shall be posted on municipal webpages within 15 days from the expiry of the pertinent quarter.

The format of the report referred to in paragraphs 1 and 2 above shall be set by the Ministry.

Mayor is obliged to provide half-yearly reports of total receipts and payments following the organisational, functional and economic classification not later than within 15 days from the expiry of the second quarter.

VII. SUPERVISION

Article 56

Local Council shall, in the manner envisaged by the municipal charter, oversee budget execution and earmarked spending of budgetary allocations for specific purposes.

Article 57

Mayor shall oversee, as envisaged by Municipal Charter, financial, material and accounting affairs of budget users in reference to the purpose, volume and schedule of disbursements.

Article 58

The Ministry shall oversee the implementation of this Law and the secondary legislation adopted pursuant to it.

Article 59

Inspection control over the implementation of this Law and the secondary legislation adopted pursuant to it shall be performed by the Budget Inspector (hereinafter: Inspector) in line with this Law and the laws governing inspection control, budget and fiscal responsibility.

Article 60

Inspector shall comply the Inspection Control Report and furnish it to the Mayor and the Finance Minister not later than within 15 days from performing the control. Inspector shall notify the person requesting the inspection control of its findings, if so required by the requesting party.

Article 61

Administrative supervision over the present Law shall be performed by the relevant local administration authority.

VIII. PUNITIVE PROVISIONS

Article 62

A responsible person within Municipality shall be punishable by a fine ranging between 400 euro and 800 euro if:

1. Municipality fails to provide to Ministry the Receipts and Payments Statements and the Spending by Spending Unit within 15 days from the expiry of the pertinent month (Article 55 para 1);
2. Municipality fails to provide to Ministry the Arrears and Municipal Debt Report quarterly, not later than within 15 days from the expiry of the pertinent quarter (Article 55 para 2).

Article 63

A responsible person within Municipality shall be punishable by a fine ranging between 500 euro and 2,000 euro if:

1. he fails to support the draft municipal Budget Decision provided to the local council with the opinion provided by the Ministry in reference to the proposed amount and breakdown of spending, payroll policy capital expenditures and sources of funding, and the surplus or deficit levels (Article 29 item 5);
2. Municipality fails to keep earmarked funding from the Central Budget separate from own-source funds and fails to spend such earmarked funds for the designated purpose (Article 32);
3. spending is not done in line with the ceiling set in the Municipal Budget Decision (Article 33 para 1)
4. spending unit's commitments are not aligned with planned and approved appropriations under the Municipal Budget Decision (Article 33 para 2);
5. in case of underappropriation for specific purpose, spending units fail to reallocate funds in line with Article 36 of this Law;
6. budgetary allocations are spent contrary to the designated purpose (Article 37 para 2);
7. without prior Government consent, guarantees are issued up to the levels set in the municipal annual budget (Article 46 para 1);
8. actions are taken in contravention to Article 49 of this Law.

IX. TRANSITIONAL AND FINAL PROVISIONS

Article 64

The secondary legislation envisaged for adoption by this Law shall be adopted not later than 60 days following this Law's entry into force.

Article 65

The Equalisation Fund's 2018 Interim Allocation Plan for Municipalities that were the its beneficiaries in 2017, excluding the Old Royal Capital, shall constitute the Equalisation Fund's Interim Allocation Plan for 2018.

The Equalisation Fund's final allocation for 2018 shall be done according to the shares for each municipality established by the Interim Allocation Plan for 2018 referred to in paragraph 1 above.

Article 66

By way of derogation from Article 19(3) above the Equalisation Fund's Interim Allocation Plan for 2109 shall be adopted by 31 January 2019 in terms with this Law.

Article 67

In the first fiscal year since its establishment, the funding for a newly established Municipality shall be secured from the Central Budget's current reserves up to the amount of 3% of the total current budget reserves.

A newly established Municipality is obliged within six months from the establishment of the local administration to pass the budget decision and other local legislation to establish the procedure for levying, collecting and monitoring local revenues.

Article 68

With the entry into force of this, Law the Law on Local Self-Government Finance (Official Gazette of the Republic of Montenegro 42/03 and 44/03, the Official Gazette of Montenegro 5/08, 74/10, 1/15, 78/15, 3/16, 30/17 and 92/17), the Rulebook on the Equalisation Fund Allocations and Utilisation (Official Gazette of Montenegro 50/11 and 50/12), the Rulebook on the Method of Provision and the Contents of the Data on Revenues, Expenditures and the Budget Debt for Local Self-government Units (Official Gazette of Montenegro 26/11 and 15/13) and the Instruction on the Contents of the Request for Long-term Borrowing of Local Self-Government Units and the Data on Fulfilling the Financial Requirements for Such Borrowing (Official Gazette of Montenegro 36/17) shall be repealed.

Article 69

This Law shall enter into force with the day of its publication in the Official Gazette of Montenegro.

Number: 00-39/18-1/14
EPA 608 XXVI
Podgorica, 28 December 2018
26th Parliament of Montenegro
The Speaker,
Ivan Brajović, m.p.

Pursuant to Article 19(7) of the Law on Local Self-Government Finance (Official Gazette of Montenegro 3/19), the Ministry of Finance hereby passed the following

RULEBOOK ON THE METHOD FOR THE EQUALISATION FUND ALLOCATION AND THE USE OF UNALLOCATED FUNDS

(Official Gazette of Montenegro, No. 006/19 of 30.01.2019)

Article 1

This Rulebook shall govern the method of the Equalisation Fund allocation and utilisation of the unallocated funds for municipalities, the Capital City borough and the Capital City (hereinafter: Municipality).

Article 2

To establish the amount of the Equalisation Fund's interim and final allocations based on the criteria set in the Law on Local Self-Government Finance Article 17(1)(3), the data on the calculated PIT revenues for the year preceding the year of interim allocation shall be used as follows:

- interim allocation on 30th September of the year of interim allocation,
- final allocation on 01 March of the year of the final allocation.

By way of derogation from paragraph 1 above, the data on calculated PIT revenues in line with the 2019 Interim Equalisation Fund Allocation shall be used for establishing the interim allocation.

Article 3

Interim disbursements from the Equalisation Fund shall be done twice a month, as a rule on 15th and 30th each month during the fiscal year.

Article 4

The unallocated funds in the amount of 10% of the total Equalisation Fund shall be used in the course of a year for short-term interest-free loan provision to municipalities which are the Equalisation Fund beneficiaries in case of their liquidity issues.

The amount of the loans referred to in paragraph 1 above may not exceed 20% of the interim allocation established by the Equalisation Fund's Interim Allocation Plan for the borrowing municipality.

The loan shall be repaid from the regular interim allocations or from municipal own-source revenues.

Article 5

This Rulebook shall enter into force on the day of its publication in the Official Gazette of Montenegro.

**Number: 01-13-271/2
Podgorica, 24 January 2019**

**MINISTER,
Darko Radunović**

Pursuant to Article 55(4) of the Law on Local Self-Government Finance (Official Gazette of Montenegro 3/19), the Ministry of Finance hereby passed the following

**RULEBOOK
ON FORMAT OF RECEIPTS AND OUTLAYS STATEMENTS,
STATEMENTS OF OUTLAYS BY SPENDING UNITS AND
MUNICIPAL ARREARS AND BUDGET DEBT REPORTS**

(Official Gazette of Montenegro, No. 010/19 of 13.02.2019)

Article 1

This Rulebook shall govern the format of total receipts and outlays statement, the statement of outlays by spending unit, and municipal arrears and budget debt reports for municipalities, the Capital City borough, the Capital City and the Old Royal Capital (hereinafter: municipality).

Article 2

The format of total receipts and outlays statement, the statement of outlays by spending unit is given in Annex 1 herein.

The format of the municipal arrears and budget debt report is given in Annex 2 herein. The Annexes referred to in paragraph 1 and 2 above shall make an integral part of the present Rulebook.

Article 3

This Rulebook shall enter into force on the eighth day upon its publication in the Official Gazette of Montenegro.

**Number: 01-13-874/2
Podgorica, 06 February 2019**

**MINISTER,
Darko Radunović**

STATEMENT OF TOTAL RECEIPTS AND OUTLAYS AND OUTLAYS BY SPENDING UNITS

Total receivables

MUNICIPALITY					
	Type of revenue	Annual budget plan	Outturn in the month of —	Outturn over a period of —	% of annual budget
71	Current revenues				
711	Taxes				
7111	Personal income tax (PIT)				
71131	Property tax				
71132	Property sale tax				
71175	PIT surtax				
713	Fees				
71312	Local administrative fees				
7135	Municipal fees				
7136	Other fees				
714	Charges				
7141	Charges for the utilisation of assets of common interest				
71411	Water utilisation charge				
71412	Charge for extractions from water courses				
71413	Charge for protection of waters against pollution				
71414	Charge for utilisation of geological survey findings				
7142	Charges for utilisation of natural resources				
71421	Forest utilisation charge				
71423	Mining charge				

71424	Mineral ore extraction charge				
7146	Charge for provision of utilities at buildable land				
7147	Charge for local road construction and maintenance				
71484	Annual registration fee for road motor vehicles				
7149	Other charges				
715	Other revenues				
7151	Income on capital (interest, shares, dividends and rent)				
7152	Fines and seized proceeds				
7153	Own-source revenues of individual authorities				
7155	Other revenues				
72	Property sale proceeds				
721	Proceeds from sale of nonfinancial assets				
7211	Property sale				
722	Proceeds from sale of financial assets				
73	Receipts from credit repayment and carryovers				
731	Receipts from credit repayment				
732	Carryovers				
74	Grants and transfers				
741	Grants				
7411	Current grants				
7412	Capital grants				
742	Transfers				
7421	Transfers from the Central Budget				
7426	Transfers from the Equalisation Fund				
75	Loans and credits				
751	Loans and credits				

7511	Loans and credits from domestic sources				
75111	Loans and credits from domestic financial institutions				
75112	Loans and credits from other levels of government				
7512	Loans and credits from foreign sources				
	TOTAL REVENUES (71+72+73+74+75)				

Authorized person's signature _____

Statement of total outlays

MUNICIPALITY					
No.	Type of outlay	Annual budget plan	Outturn in the month of _____	Outturn over a period of _____	% of annual budget
I	Current expenditures				
41	Current expenditures				
411	Gross salaries and contributions borne by employer				
411-1	Net salaries				
411-2	Payroll taxes				
411-3	Contributions borne by the employee				
411-4	Contributions borne by the employer				
411-5	Municipal surcharge				
412	Other personal income				
412-1	Winter allowance				
412-2	Housing and separate living allowance				

412-3	Transportation allowance				
412-4	Jubilee rewards				
412-5	Severance payment				
412-6	Allowance for councillors				
412-7	Other allowances				
413	Expenditures for supplies				
413-1	Office supplies				
413-3	Special purpose supplies				
413-4	Energy costs				
413-5	Fuel costs				
413-9	Other supply expenditures				
414	Expenditures for services				
414-1	Business travel				
414-2	Entertainment costs				
414-3	Communication services				
414-4	Banking services and negative foreign currency exchange rates				
414-5	Transportation services				
414-6	Lawyer, notary and legal services				
414-7	Consultancy, projects and studies				
414-8	Professional development services				
414-9	Other services				
415	Routine maintenance				
415-1	Routine maintenance of public infrastructure				

415-2	Routine building maintenance				
415-3	Routine equipment maintenance				
416	Interests				
416-1	Interests to residents				
416-2	Interests to non-residents				
417	Rent				
417-1	Rent for buildings				
417-2	Rent for equipment				
417-3	Rent for land				
418	Subsidies				
419	Other expenditures				
419-1	Expenditures as per service agreements				
419-2	Expenditures as per court proceeding costs				
419-3	Software development and maintenance				
419-4	Insurance				
419-6	Utility charges				
419-9	Other				
42	Social security transfers				
43	Transfers to institutions, individuals, nongovernmental and private sectors				
431	Transfers to institutions, individuals, nongovernmental and private sectors				
431-1	Transfers for healthcare				
431-2	Transfers for education				

431-3	Transfers to culture and sport institutions				
431-4	Transfers to nongovernmental organisations				
431-5	Transfers to political parties and associations				
431-6	Transfers for non-recurrent social assistance				
431-7	Transfers for intern salaries				
431-8	Other transfers to individuals				
431-9	Other transfers to institutions				
432	Other transfers				
432-4	Transfers to municipalities				
432-5	Transfers to the state budget				
432-6	Transfers to public enterprises				
II	Capital expenditures				
441	Capital expenditures				
441-1	Expenditures for infrastructure of common interest				
441-2	Expenditures for local infrastructure				
441-3	Expenditures for construction facilities				
441-4	Expenditures for land development				
441-5	Equipment expenditures				
441-6	Periodic maintenance expenditures				

441-9	Other capital expenses				
III	Loans and credits				
451	Loans and credits				
451-1	Loans and credits to nonfinancial institutions				
451-2	Loans and credits to nonfinancial institutions				
451-3	Loans and credits to individuals				
IV	Debt repayment				
461	Debt repayment				
461-1	Repayment of securities to residents				
461-2	Repayment of securities to non-residents				
462	Guarantee repayment				
462-1	Repayment of domestic guarantees				
462-2	Repayment of guarantees abroad				
463	Payment of commitments from previous years				
463-0	Payment of commitments from previous years				
V	Reserves				
471	Current budget reserves				
472	Other budget reserves				
473	Other reserves				
	TOTAL EXPENDITURES (I+II+III+IV+V)				

Note: Breakdown of expenditure line 463 – Payment of commitments from previous period

Payment of commitments from previous years - breakdown	Outturn in the month of _____
Gross salaries and contributions borne by employer	
Net salaries	
Payroll taxes	
Contributions borne by the employee	
Contributions borne by the employer	
Municipal surcharge	
Other personal income	
Expenditures for supplies	
Expenditures for services	
Routine maintenance expenditures	
Interests	
Rent	
Subsidies	
Other expenditures	
Expenditures as per court proceeding costs	
Social security transfers	
Transfers to institutions, individuals, nongovernmental and private sectors	
Other transfers	
Capital expenditures	
Loans and credits	
Debt servicing	

Authorized person's signature _____

Outlays by functional classification

		Annual budget plan	Outturn in the year _____	% of total budget
01	GENERAL PUBLIC SERVICES			
02	DEFENCE			
03	PUBLIC ORDER AND SECURITY			
04	ECONOMIC AFFAIRS			
05	ENVIRONMENT			
06	HOUSING AND COMMUNITY AFFAIRS			
07	HEALTHCARE			
08	SPORT, CULTURE AND RELIGION			
09	EDUCATION			
10	SOCIAL PROTECTION			
	TOTAL			

Authorized person's signature _____

Statement of Outlays by Spending Unit

SPENDING UNIT					
No.	Type of outlay	Annual budget plan	Outturn in the month of _____	Outturn over a period of _____	% of annual budget a
I	Current expenditures				
41	Current expenditures				
411	Gross salaries and contributions borne by employer				
411-1	Net salaries				
411-2	Payroll taxes				
411-3	Contributions borne by the employee				
411-4	Contributions borne by the employer				
411-5	Municipal surcharge				
412	Other personal income				
412-1	Winter allowance				

412-2	Housing and separate living allowance				
412-3	Transportation allowance				
412-4	Jubilee rewards				
412-5	Severance payment				
412-6	Allowance for councillors				
412-7	Other allowances				
413	Expenditures for supplies				
413-1	Office supplies				
413-3	Special purpose supplies				
413-4	Energy costs				
413-5	Fuel costs				
413-9	Other supply expenditures				
414	Expenditures for services				
414-1	Business travel				
414-2	Entertainment costs				
414-3	Communication services				
414-4	Banking services and negative foreign currency exchange rates				
414-5	Transportation services				
414-6	Lawyer, notary and legal services				
414-7	Consultancy, projects and studies				
414-8	Professional development services				
414-9	Other services				
415	Routine maintenance				
415-1	Routine maintenance of public infrastructure				
415-2	Routine building maintenance				
415-3	Routine equipment maintenance				
416	Interests				
416-1	Interests to residents				
416-2	Interests to non-residents				
417	Rent				
417-1	Rent for buildings				

417-2	Rent for equipment				
417-3	Rent for land				
418	Subsidies				
419	Other expenditures				
419-1	Expenditures as per service agreements				
419-2	Expenditures as per court proceeding costs				
419-3	Software development and maintenance				
419-4	Insurance				
419-6	Utility charges				
419-9	Other				
42	Social security transfers				
43	Transfers to institutions, individuals, nongovernmental and private sectors				
431	Transfers to institutions, individuals, nongovernmental and private sectors				
431-1	Transfers for healthcare				
431-2	Transfers for education				
431-3	Transfers to culture and sport institutions				
431-4	Transfers to nongovernmental organisations				
431-5	Transfers to political parties and associations				
431-6	Transfers for non-recurrent social assistance				
431-7	Transfers for intern salaries				
431-8	Other transfers to individuals				
431-9	Other transfers to institutions				
432	Other transfers				
432-4	Transfers to municipalities				
432-5	Transfers to the state budget				

432-6	Transfers to public enterprises				
II	Capital expenditures				
441	Capital expenditures				
441-1	Expenditures for infrastructure of common interest				
441-2	Expenditures for local infrastructure				
441-3	Expenditures for construction facilities				
441-4	Expenditures for land development				
441-5	Equipment expenditures				
441-6	Periodic maintenance expenditures				
441-9	Other capital expenses				
III	Loans and credits				
451	Loans and credits				
451-1	Loans and credits to nonfinancial institutions				
451-2	Loans and credits to nonfinancial institutions				
451-3	Loans and credits to individuals				
IV	Debt repayment				
461	Debt repayment				
461-1	Repayment of securities to residents				
461-2	Repayment of securities to non-residents				
462	Guarantee repayment				
462-1	Repayment of domestic guarantees				
462-2	Repayment of guarantees abroad				
463	Payment of commitments from previous years				
463-0	Payment of commitments from previous years				
V	Reserves				
471	Current budget reserves				

472	Other budget reserves				
473	Other reserves				
	TOTAL EXPENDITURES (I+II+III+IV+V)				

Authorized person's signature _____

Report on outlays as per multiannual capital projects

Project title

Capital expenditure	Contracted amount	Contracted implementation period	Total expenditures by 01 Jan __	Expenditures in __ (yr)	Total outlays by 31 Dec - __ (yr)	Source of funding

The reports shall be submitted electronically, with the exception of the fiscal year reports provided also in paper-based format

Annex 2

MUNICIPAL ARREARS AND BUDGET DEBT REPORT

Report on arrears

No	Type of arrear	Municipal arrears at the end of Q __ __ (yr)	Arrears of public companies and institutions at the end of Q __ __ (yr)
I	Current expenditures commitments		
	Gross salaries and contributions borne by employer		
	Other personal income		
	Other current expenditures		
II	Commitments for social security transfers		
III	Commitments for transfers to institutions, individuals, NGOs		
IV	Commitments for capital expenditures		
V	Commitments for loans and credits		

a)	Principal		
b)	Interest		
VI	Commitments for debt servicing		
VII	Commitments for reserves		
TOTAL ARREARS (I+II+III+IV+V+VI+VII)			

Municipal Budget Debt Report

No	Type of debt	Amount of municipal debt at the end of Q _____ (yr).				Amount of public company debt at the end of Q _____ (yr).			
		Commitments	Withdrawals	Principal repayment	Outstanding debt	Commitments	Withdrawals	Principal repayment	Outstanding debt
I	Domestic debt								
1	Loans								
a	Short-term (principal)								
b	Long-term (principal)								
2	Bonds								
II	Foreign debt								
1	Loans								
a	Short-term (principal)								
b	Long-term (principal)								
2	Bonds								
TOTAL (I+II)									
III	Domestic guarantees								
IV	Foreign guarantees								
TOTAL GUARANTEES (III+IV)									

Authorized person's signature _____

The reports shall be submitted electronically, with the exception of the fiscal year reports provided also in paper-based format.

Pursuant to Article 22(3) of the Law on Local Self-Government Finance (Official Gazette of Montenegro 3/19), the Ministry of Finance hereby passed the following

RULEBOOK ON THE METHOD OF WITHDRAWALS FROM AND REIMBURSEMENTS TO THE SUPPORT FUND FOR PRE FINANCING MUNICIPAL DONOR-SUPPORTED PROJECTS

(Official Gazette of Montenegro, No. 010/19 of 13.02.2019)

Article 1

This Rulebook shall set out the format for the applications for withdrawals from the Support Fund for Municipal Donor-Supported Projects (hereinafter: the Support Fund), the method for withdrawal and reimbursement of pre-funding provided by the Support Fund, and keeping records of the use of such funding.

Article 2

The application referred to in paragraph 1 above shall be lodged after financial commitments for costs incurred in the framework of project implementation become due. The application referred to in paragraph 1 above shall be supported by the following:

- agreement (or approval) signed with the donor or the lead partner;
- project application form or project description (if not making an integral part of the agreement signed with the donor or the lead partner);
- project budget (if not making an integral part of the agreement signed with the donor or the lead partner);
- the agreement signed between the Municipality and the company, institution or other legal entity founded by the Municipality;
- receipt, invoice, interim situation or other proof of financial commitments due in reference to the costs incurred within the framework of the project implementation by the Municipality or company, institution or other legal entity founded by the Municipality (hereinafter: proof of commitment).

The application referred to in paragraph 1 above shall be provided in paper form, while the supporting documents may be filed electronically.

In case a Municipality has repeatedly applied for pre-financing of one and the same donor-supported project, the application shall only be supported by a proof of commitment.

Article 3

A written decision shall be passed on any withdrawals from the Support Fund within seven days from lodging the application and the supporting documents referred to in Article 2 above.

Based on the decision referred to in paragraph 1 above, payment shall be made to the designated project subaccount within seven days from passing the decision.

Article 4

Electronic records shall be kept of all applications for making use of the Support Fund, all withdrawals and reimbursements.

The records referred to in paragraph 1 above shall be kept using the Form 2 provided herein.

Article 5

Forms 1 and 2 shall make an integral part of the present Rulebook.

Article 6

This Rulebook shall enter into force on the eighth day upon its publication in the Official Gazette of Montenegro.

Number: 01-13-456/2
Podgorica, 05 February 2019

MINISTER,
Darko Radunović

APPLICATION FOR ACCESS TO THE SUPPORT FUND FOR PRE-FINANCING MUNICIPAL DONOR-FUNDED PROJECTS

1. INFORMATION ABOUT THE APPLICANT

Applicant's name:	
TIN:	
Address:	
Telephone:	
E-mail:	

2. INFORMATION ABOUT THE PROJECT

Project title in a foreign language (if any):	
Project title in Montenegrin:	
Project acronym (if any):	
Donor or lead partner:	
Date of agreement signature or date of approval	
Intended project duration:	
Applicant's role in the project: - Lead partner - Partner - Other	
Total project value:	
Value of the project implemented by the applicant:	
Project contact person (name and surname, telephone, e-mail):	

3. INFORMATION ABOUT REQUESTED PRE-FINANCING

Requested pre-finance:	
Pertinent project account (or sub-account) number for pre-financing:	

4. APPENDICES

No.	Title	YES	NO
1.	Signed agreement or approval for the supported project of the Municipality or a company, an institution or other legal entity with the donor or lead partner		
1.1.	First application		
1.2.	Applied previously		
1.3.	Amended		
2.	Project application form or project description (if not part of the document signed with the donor or the lead partner):		
2.1.	First application		
2.2.	Applied previously		
2.3.	Amended		
3.	Project budget (if no contract was signed with the donor or the lead partner):		
3.1.	First application		
3.2.	Applied previously		
3.3.	Amended		
4.	Agreement between the municipality and the company, institution or other legal entity if the agreement or approval was signed by the company, institution or other legal entity founded by the municipality		
4.1.	First application		
4.2.	Applied previously		
4.3.	Amended		
5.	Receipt, invoice, interim situation or other proof of financial commitments due for payment in reference to the costs incurred within the framework of the project implementation by the municipality or company, institution or other legal entity founded by the municipality:		
5.1.	Receipt no.:		
5.2.	Date of issuance:		
5.3.	Amount (VAT excluded):		

5.4.	Amount (VAT included):		
5.5.	Is the receipt VAT exempted:		
6.	Receipt, invoice, interim situation or other proof of financial commitments due for payment in reference to the costs incurred within the framework of the project implementation by the municipality or company, institution or other legal entity founded by the municipality:		
6.1.	Receipt no.:		
6.2.	Date of issuance:		
6.3.	Amount (VAT excluded):		
6.4.	Amount (VAT included):		
6.5.	Is the receipt VAT exempted:		
7.	Receipt, invoice, interim situation or other proof of financial commitments due for payment in reference to the costs incurred within the framework of the project implementation by the municipality or company, institution or other legal entity founded by the municipality:		
7.1.	Receipt no.:		
7.2.	Date of issuance:		
7.3.	Amount (VAT excluded):		
7.4.	Amount (VAT included):		
7.5.	Is the receipt VAT exempted:		

Note: the information in the table from item 5 onwards concerns the commitments incurred in the course of the project implementation, and thus data are needed for each separate receipt, invoice, interim situation or other that make an integral part of the Application.

5. STATEMENT OF TRUTH

I hereby declare, under criminal and material liability, that all the data stated in the Application and the Appendences thereto are complete, accurate and true.

(place) _____
(date) _____

seal

MAYOR

RECORDS OF INSTANCES WHEN USING PRE-FINANCING SUPPORT FOR DONOR-SUPPORTED PROJECTS

1. INFORMATION ABOUT APPLICATIONS FILED

Applicant's name:	
Project title:	
Application no.:	
Date of application:	
Requested amount:	

2. DATA ON WITHDRAWALS

Applicant's name:	
Project title:	
Application no.:	
Date of application:	
Requested amount:	
Date of payment:	
Amount paid:	

3. DATA ON REIMBURSEMENTS

Applicant's name:	
Project title:	
Application no.:	
Date of application:	
Date of payment:	
Date of payment back to the Support Fund for Pre-financing of Municipal Donor-Supported Projects:	
Amount paid:	

Pursuant to Article 51 of the Law on Local Self-Government Finance (Official Gazette of Montenegro 3/19), the Ministry of Finance has passed the following

INSTRUCTION ON THE FORMAT OF THE APPLICATION FOR LONG-TERM BORROWING OF MUNICIPALITIES, COMPANIES, INSTITUTIONS AND OTHER LEGAL ENTITIES FOUNDED BY MUNICIPALITY

(Official Gazette of Montenegro, No. 011/19 of 19.02.2019)

Article 1

This Instruction sets the format of the application for long-term borrowing by a municipality, the Capital City borough, the Capital City and the Old Royal Capital (hereinafter: Municipality), a company, an institution or other legal entity founded by Municipality (hereinafter: Public Service).

Article 2

The application for long-term borrowing of a Municipality shall contain the following:

1. name of the Municipality;
2. the data on total revenues accrued in the year prior to the year of the long-term borrowing;
3. the data on total current revenues accrued in the year prior to the year of the long-term borrowing;
4. the data on total Municipality debt for all existing loans and other types of borrowing;
5. the data on liabilities stemming from leasing agreements;
6. the data on the amount of the requested long-term borrowing;
7. the information on the purpose of the requested long-term borrowing

The application referred to in paragraph 1 above shall be accompanied by the following documents:

1. municipal council enactment approving the capital project for which long-term borrowing is requested;
2. municipal council enactment approving the long-term borrowing;
3. signed contracts or other enactments for all existing debt, with respective payment schedules;
4. draft agreement for long-term borrowing put for approval, together with its payment schedule;
5. the approval granted by the Government of Montenegro for all prior Municipality borrowing;

6. Municipality budget for the year in which borrowing is requested;
7. an overview of planned receipts and expenditures for the coming three fiscal years, including multiannual commitments, multiannual payables, investment programmes and repayment plan for the requested borrowing;
8. the opinion of the relevant state administration authority in case of municipal borrowing for capital costs of strategic importance for the Municipality, or the country for the area to which the capital cost pertains.

Article 3

Municipality shall file an application for long-term borrowing of a Public Service which shall contain the following:

1. name of the Public Service;
2. the proof of meeting the requirements for Public Service's long-term borrowing;
3. the data on the amount of the requested long-term borrowing;
4. the information on the purpose of the requested long-term borrowing.

The application referred to in paragraph 1 above shall be accompanied by the following documents:

1. municipal or Public Service enactment approving the capital project for which long-term borrowing is requested;
2. municipal council enactment approving long-term borrowing for the Public Service;
3. Municipality report of the analysis conducted pursuant to Articles 49 and 50 of the Law on Local Self-Government Finance (hereinafter: the Law) proving that the requirements for Public Service long-term borrowing have been met;
4. draft agreement for long-term borrowing put for approval and the payment schedule;
5. three-year projection of revenues and expenditures, including the repayment schedule for the requested borrowing;
6. the opinion of the relevant state administration authority in case of Public Service borrowing for capital costs of strategic importance for the Municipality, or the country for the area to which the capital cost pertains.

Article 4

This Instruction shall enter into force on the eighth day upon its publication in the Official Gazette of Montenegro.

Number: 06-872
Podgorica, 15 February 2019
MINISTER,
Darko Radunović

Pursuant to Article 54 of the Law on Local Self-Government Finance (Official Gazette of Montenegro 3/19), the Ministry of Finance has passed the following

DIRECTIONS ON LOCAL SELF-GOVERNMENT TREASURY OPERATIONS

(Official Gazette of Montenegro, No. 015/19 of 08.03.2019)

Scope

1. These Directions shall set forth the detailed method of Treasury operations in a municipality, Capital City borough, the Capital City and the Old Royal Capital (hereinafter: Municipality).

Definition of Terms

2. The terms used in these Directions shall have the following meanings:
 - a) **Chief Finance Officer** is:
 - the budget executor within the meaning of Art 37 (2) of the Law on Local Self-Government Finance (hereinafter: the Law), namely: a head of a local government authority responsible for financial matters or a person authorised by the mayor to act as a budget executor and exercise a function of general approval or sanction of financial activities of a spending unit;
 - a person who also performs the function of an authorising officer or approving payment of money from a Consolidated Treasury Account and who may delegate to another local officer the authorities or duties assigned to him by these Directions, with a Mayor's approval in writing, where such delegation shall not relieve the Chief Finance Officer of the liability set in the Law and these Directions;
 - b) **Finance Officer** is a person who is appointed by a law or an authority to be personally and financially responsible for a financial task, within the meaning of the Law and these Directions, as follows:
 - Certifying Officer is a person authorised by a head of the authority or a Chief Finance Officer to exercise a financial task for the needs of the spending unit of filling out the forms, certifying the correctness of a proposal for provisioning of funds, payment request and other budget execution forms;
 - Approving Officer is a head of the authority or a person authorised by

- the head of the authority to exercise a financial task in a spending unit of authorising a request for provisioning of funds, a payment request and other budget execution forms;
- Control Officer for Requests for Payments is a person appointed by a Chief Finance Officer to exercise a financial task to confirm that a proposal for provisioning of funds, payment requests and other budget execution forms have been duly certified and approved by relevant Finance Officers, and as a rule is a head of a lower organisational unit responsible for Treasury operations;
- c) **Cashier** is a person who within a Spending Unit exercises a financial task related to cash transactions;
- d) **Financial task** is an activity, task or procedure relating to:
- the commitment or spending of municipal money,
 - the collection and receipt of municipal money,
 - the management and control of municipal money,
 - the control of regularity, certifying and approving budget execution forms,
 - transfer of municipal money to users,
 - cash transactions;
- e) **Spending units** are local government authorities, services and narrower organisational units subordinated to them;
- f) **Contract** is a legal instrument – an agreement for the procurement of goods, works or services, signed by a Mayor or the person authorised by a Mayor, by which Municipality is committing or may be committed to perform payment to the supplier by using municipal money upon the delivery of goods, performance of works or rendering of services;
- g) **Supplier** is a natural or a legal person that performs the delivery of goods, execution of works or rendering of services;
- h) **Allocation for a Spending Unit** is the right to spend the funds of a Spending Unit for the specified time period, and the allocation is signed by the Chief Finance Officer in line with the payment schedule as approved by the Mayor;
- i) **Journal Transfer** is a transaction to effect corrections and adjustments to financial records in a municipal treasury general ledger (hereinafter: Treasury General Ledger).

Appointments of Finance Officers

3. A head of an authority or a service shall appoint an Approving Officer, a Certifying Officer and a Cashier in the Spending Unit he or she is managing, and notify thereof, in writing, the Chief Finance Officer and the narrower organisational unit of the local administration authority responsible for finance performing the treasury functions (hereinafter: Treasury).

4. Specimen of signature of each local servant appointed as a Finance Officer shall be signed by the relevant head of the authority or service.
5. A head of an authority or a service is obliged to notify the Chief Finance Officer and the Treasury of any change in the appointment of Finance Officers on the day of such change.
6. Treasury head shall be responsible for keeping the register of Finance Officers separately for each authority or service.

Responsibilities of a Finance Officer

7. Finance Officers are obliged to follow orders, instructions, procedures, guidelines or expert guidance issued by the Chief Finance Officer in reference to the application of these Directions.
8. Ignorance about these Directions shall not relieve a Finance Officer of liability in case of incurring losses for the Municipality, leading to omissions or incorrect keeping of data in any type of records.
9. Finance Officers shall be liable for the performance of the tasks set forth by these Directions and shall be financially liable for any loss, incorrect statement or error that occurs while performing such tasks, in line with the Law.

Public Internal Financial Control

10. The Law governing public management and financial control stipulates the procedures for entity-level financial management, financial and other control and internal audit with a view of successful management and pursuit of municipal business goals.
11. Municipalities shall develop a set of internal rules and procedures (hereinafter: an Internal Procedure) with a view of regularity, economy, efficiency and effectiveness of spending.
12. In Treasury operations, for any matter not governed by the Law or these Directions, municipal Internal Procedures shall apply.

Planning of budget receipts and approval of payments

13. A local administration authority responsible for finance shall manage the Consolidated Treasury Account.
14. In the process of financial planning and cash management of the Consolidated Treasury Account, Chief Finance Officer shall make projections of budget receipts, taking into account all relevant factors – monthly pattern of receipts over previous years, carry-overs from the previous year, legislative changes that affect budget revenues, seasonality of certain revenue streams, and other factors which may affect collection of revenues.
15. Pursuant to Art 34 of the Law, at the proposal of a Chief Finance Officer, a Mayor

- shall approve the schedule of budget spending (the “Schedule of Payments” template).
16. A Chief Finance Officer shall approve to Spending Units the funding allocated by the Municipal Budget Decision (hereinafter: Municipal Budget) by issuing periodic (monthly or quarterly) allocations based on the spending proposals submitted by Spending Units, in line with the approved Schedule of Payments.
 17. Budget allocation (the “Budget Allocation” template) shall be signed by the Chief Finance Officer and recorded in the Treasury General Ledger for each Spending Unit separately.
 18. Approval of funds shall be done by:
 - a) allocation – a Chief Finance Officer shall authorise a head of the authority to make payments up to the amount set in the allocation. Allocations shall be issued monthly or quarterly in line with the Schedule of Payments and depending on the amounts available for spending.
 - b) re-allocation – a Mayor may approve re-allocation of the funds established by Municipal Budget Decision between Spending Units for up to 10% of the total planned Spending Unit’s budget.
Spending Units may, with Mayor’s approval, re-allocate the appropriation by specific budget lines for up to 10% of the amounts envisaged for the line whose amount is being reduced.
 - c) if in the course of the year receipts or expenditures either fall short of or go beyond the plan, budget balancing may be done by revising the budget following the same methodology and the procedure stipulated for its adoption.
 19. A Mayor shall be responsible for Municipal Budget execution.
 20. A Chief Finance Officer is the budget executor responsible for purposeful spending of the budget in terms with the Schedule of Payments as approved by the Mayor.
 21. Spending schedule and allocation of funds to Spending Units may change in the course of a fiscal year depending on the inflows into the Consolidated Treasury Account and the spending needs of Spending Units.
 22. Payments that have not be approved in Municipal Budget may not be paid from the Consolidated Treasury Account.
 23. All receipts, expenditures, commitments and payment requests for commitments and other payments due shall be recorded in the Treasury General Ledger.

Allocation of funds to a head of an authority

24. A head of a Spending Unit shall be authorised to spend Municipal Budget appropriations by periodic allocation.
25. Allocation of funds obligates a head of an authority to:
 - a) make commitments and perform payments up to the allocated amount,
 - b) when issuing any subsequent payment request, make a reference to the allocation and verify whether it is in line with the established allocation,
 - c) comply with any other instruction issued by the Chief Finance Officer with a view to implementing these Directions.

Cessation of allocation validity

26. Allocated funds cease to be valid on the last day of the fiscal year to which they pertain or an earlier date, if a Chief Finance Officer informs a head of the authority thereof in writing.
27. If a head of an authority disposes of an allocation that is still valid, and its abolishment or obsolescence is anticipated, it shall not be used wilfully to make or commit to any unjustified expenditure.

Bank accounts opening and control

28. Consolidated Treasury Account shall consist of the Treasury General Ledger, earmarked subaccounts and other bank accounts kept for municipal needs.
29. Consolidated Treasury Account shall be managed by administration authority responsible for finance.
30. The order to open bank accounts for municipal needs shall be given by administration authority responsible for finance.
31. A Mayor or a person authorised by a Mayor shall sign the agreement with a commercial bank for performing banking operations.
32. A Chief Finance Officer shall issue an order to open the main bank account entitled Treasury General Account to be used for recording all treasury-related cash transactions.
33. The money from municipal revenue deposit accounts, shared revenues, the Equalisation Fund and the Central Budget transfers shall be deposited to the Treasury General Account unless envisaged otherwise by a separate piece of legislation.
34. Payments shall be made from the Treasury General Account for the needs of Spending Units against the appropriation planned by the annual budget.
35. A Chief Finance Officer is authorised to issue an order for opening special purpose sub-accounts and other accounts held with commercial banks if he believes such accounts to be necessary for successful and efficient pursuit of programmes and service delivery.
36. The earmarked funds paid from the Central Budget shall be kept at a separate account and used only for the intended purposes.
37. A Chief Finance Officer shall, if he deems it necessary, by means of an official letter or notification, inform heads of authorities of changes in banking policy or of special arrangements or agreements for performing banking services for municipal needs.
38. Where a Chief Finance Officer no longer has need for a municipal bank account, he shall forward a written request the bank to close the account.
39. Upon the receipt of a bank statement for the municipal account, a Treasury officer shall prepare a bank reconciliation statement for each municipal bank account, by comparing the bank account to the Treasury accounting records.

Deposits to and payments from a municipal bank account

40. In case of cash collections, pertinent revenues shall be deposited not later than the following day to the relevant revenue deposit accounts.
41. Such deposits shall be lodged by a Finance Officer responsible for cash holdings and taking over municipal revenues (Cashier), in line with an internal procedure on cash holdings.
42. A Chief Finance Officer shall appoint one or more persons for making cash withdrawals from the Treasury General Account and notify the bank thereof in order for the thus appointed persons to be able to make cash withdrawals against payment orders and deliver them to Cashiers in spending units.
43. A Cashier is the only one to have access to cash and the place where cash holdings are safeguarded.
44. A Cashier shall not use the cash entrusted to him for any private purposes or taking loans.

Liquidity management

45. A Chief Finance Officer shall ensure efficient liquidity management (cash flow management).
46. Liquidity management shall include, but not be limited to:
 - a) prompt collection of municipal revenues;
 - b) ensuring the availability of cash in the municipal Consolidated Treasury Account for budget execution.
 - c) regular cash flow analysis for all municipal funds.
 - d) planning payments and enabling maximum cash availability with prompt collection of municipal revenues.
 - e) ensuring timely information on cash balance and
 - f) making proposals to the Mayor for investments of idle money.

Collection of revenues through revenue collection accounts

47. All public revenues shall be lodged into municipal revenue deposit accounts in accordance with the regulations on tax administration.
48. A head of a local administration authority responsible for revenue collection (hereinafter: a Head of an Administration) shall be responsible for collection of municipal own-source revenues in line with relevant legislation, organisational setup and method of operation of the local administration.
49. A Head of an Administration shall ensure precise and accurate keeping of records of all collected municipal own-source revenues.
50. A Chief Finance Officer shall ensure precise and accurate keeping of records of all

collected shared revenues, transfers from the Equalisation Fund and the Central Budget.

51. Municipal own-source revenues shall be deposited to the corresponding local revenue deposit accounts with zero balance - at the end of each day such accounts are levelled to the Treasury General Ledger.
52. An officer of an Administration responsible for recording revenues shall keep records by taxpayer to be crosschecked and reconciled with bank statement provided daily.
53. The return of funds mistakenly deposited to revenue deposit accounts shall be done by the administration authority responsible for finance based on a request submitted by a party, the decision of the head of the administration authority and the approval by the Chief Finance Officer.

Investment of idle municipal money

54. The decision to invest idle money shall be passed by the Mayor at the proposal of the Chief Finance Officer.
55. Any expenses incurred through investing idle money shall be paid against the Consolidated Treasury Account.
56. Municipality has the right to invest idle money in the time-bound deposits with a commercial bank with a low credit risk and into government bonds or other securities with low credit risk in euro or other currency.
57. The interests received shall increase the balance of the Consolidated Treasury Account and be stated in the relevant revenue item.

Budget execution forms

58. The following budget execution forms shall be used for municipal treasury operations:
 - 1) Spending schedule – Template 1;
 - 2) Allocation – Template 2;
 - 3) Provisioning request – Template 3;
 - 4) Payment request – Template 4;
 - 5) Journal transfer – Template 5;
 - 6) Application for an advance – Template 6.
59. The templates referred to in paragraph 58 above shall make an integral part of these Directions.

Commitments (provisioning)

60. A commitment is registered using the “Provisioning Request” template whereby a portion of a Spending Unit’s available budget funds is reserved to meet obligations for meeting a commitment.

61. A Provisioning Request shall be signed by the Spending Unit's Approving Officer and Certifying Officer, as well as the Control Officer for Request for Payment at the Treasury.
62. A Provisioning Request shall be completed in duplicate, with the original copy passed to the Treasury for recording in the Treasury General Ledger, and the second copy retained at the Spending Unit.
63. No Provisioning Request is to be provided for regular or recurrent payments, such as salaries, benefits and other personal income, advance payments, as well as any other statutory expenses which are not regarded as commitments, with the Payment Request being provided for all such payments, without the need for providing a Provisioning Request previously.
64. A Certifying Officer shall complete and certify a Provisioning Request and establish that:
 - a) there is required documentation supporting the provisioning;
 - b) there are funds allocated by the budget for such type of expenditure;
65. Before approving a Provisioning Request, an Approving Officer must be satisfied that:
 - a) the Provisioning Request has been duly certified by the Certifying Officer;
 - b) there are sufficient allocated funds available in the spending unit's budget to meet the proposed expenditure, taking into account other expenditures to be met from the appropriation item.
66. A Certifying Officer and an Approving Officer shall not certify or approve a Provisioning Request if it would exceed the total budget allocation in the item against which the provisioning is made, taking into account other expenditures to be met from the appropriation item.
67. Before confirming the validity of a Provisioning Request, the Control Officer for Payment Requests shall ensure that the Provisioning Request has been duly completed, that there are sufficient funds available in the Spending Unit's budget item against which the provisioning is being made, and that the request has been certified and approved by the appointed Finance Officers from the Spending Unit.
68. A Control Officer for Payment Requests is obliged to reject or return unprocessed to a Spending Unit a Provisioning Request that is factually or numerically incorrect or that exceeds the amount of the appropriation item, taking into account other expenditures covered from the allocation.
69. A duly completed, certified and approved provisioning request shall be submitted to the Treasury to be recorded in the Treasury General Ledger.
70. A Spending Unit may agree commitments to be executed in the coming year (multi-annual commitments), in line with Art 34(2) of the Law, with prior approval of the local administration authority responsible for finance.
71. A Spending Unit and a local administration authority responsible for finance shall keep records of commitments to be executed in the coming year, and such data shall be taken into account when preparing Municipal Budget for the coming fiscal year.

Approving payments against the funds planned by the annual budget

72. A head of an authority shall be responsible for the control of expenditures from within their area of responsibility.
73. Each step of expenditure control shall be documented.
74. Based on proper supporting documents, the Payment Request template, attached as an integral part to these Directions, is completed, and Spending Units are obliged to use this template for all expenditure payments made from the Treasury Consolidated Account.
75. A Certifying Officer shall complete and certify a Payment Request after being satisfied that:
 - a) there is a previously approved Provisioning Request for the given expenditure, if it involves commitments;
 - b) a natural or legal person has provided the service or supplied the goods and has lodged an invoice or other supporting documentation in accordance with the approved procurement order, signed contract, binding agreement or an administrative order;
 - c) an invoice or other supporting documentation does not constitute a purchase that has previously been paid (preventing the possibility of double payments);
 - č) that all items, amounts and calculations on the invoice or other supporting documentation are correct and do not deviate from the actual value of the works or services delivered or goods received, and
 - ć) the economic classification code in the Payment Request corresponds to the nature of the expenditure as shown by supporting documentation.
76. For regular or recurrent payments, such as salaries, benefits and other personal income, advance payments, as well as any other statutory expenses which are not regarded as commitments, a Certifying Officer shall complete the Payment Request template when the recurrent payment or statutory expenditure becomes due.
77. An Approving Officer must ensure that:
 - a) the Payment Request has been duly completed and certified,
 - b) there remain sufficient allocated funds in the given appropriation item to execute the payment.
78. An Approving Officer shall not approve and demand payments that exceed the amounts allocated by the Municipal Budget for the given position (account) from which the payment is to be made.
79. Before confirming a Payment Request, the Control Officer for Payment Requests must ensure that:
 - a) the Payment Request has been duly completed, certified and approved by the appointed Finance Officers from the Spending Unit;
 - b) the supporting documentation is complete;
 - c) there remain sufficient allocated funds in the given appropriation item to execute the payment.

80. A Control Officer for Payment Requests is obliged to reject or return unprocessed to a Spending Unit a payment request that is factually or numerically incorrect, not supported by complete set of supporting documentation or that exceeds the amount on the account of the Spending Unit.
81. Before signing the Payment Request, a Chief Finance Officer must ensure that the Payment Request has been duly certified and approved by the appointed Finance Officers from the Spending Unit and the Control Officer for Payment Requests.
82. Duly completed, certified, approved and authorised Payment Requests shall be recorded in the Treasury General Ledger and shall at the same time constitute the basis for issuing a payment order to a bank and spending of money from the Consolidated Treasury Account.
83. A payment may be made from the Consolidated Treasury Account only if the Payment Request has been signed by designated Finance Officers, a Control Officer for Payment Requests and a Chief Finance Officer.
84. A Chief Finance Officer has the right to demand from a Spending Unit to provide additional documentation in support of the Payment Request if he deems the submitted documentation supporting the Payment Request is incomplete.
85. The Payment Request form shall be completed in duplicate, with the original copy passed to the Treasury for recording in the General Treasury Ledger, and the second copy retained at the Spending Unit as written evidence used for spending control in the Spending Unit and balancing with the Treasury, and all the supporting documentation against which the payment has been made from the Consolidated Treasury Account (suppliers' invoices, contracts and similar) shall be retained as official documents of the authority responsible for finance and shall be subject of control in the process of auditing financial statements.

Entering into contracts under Public Procurement Law

86. When purchasing products or services, a head of an authority shall comply with the provisions of the Public Procurement Law and other legislation, guidance and procedures pertinent to public procurement.
87. A head of an authority shall only consider entering into a contract, an agreement or a deal incurring or that may incur payment of municipal money if there is an appropriation in the budget to that purpose. A head of an authority shall not launch a public procurement procedure if there are no allocated funds for that purpose in the budget of the Spending Unit he is heading.

Journal transfers

88. A Journal Transfer is undertaken to correct and change the balances on accounting records within the Treasury General Ledger.
89. All Journal Transfers must be certified, approved and signed by a Certifying Officer, an Approving Officer and a Chief Finance Officer.

90. Journal Transfers must not affect the overall balance on the Treasury Consolidated Account, but rather constitute changes to correct the existing expenditure or change revenue records.

Due payments and received invoice register

91. All invoices received by Spending Units for supplied goods and works and rendered services should be paid by their due date with a view of better cash flow management, maintaining liquidity and the reputation as a reliable payer.
92. As a rule, invoices are to be paid within 30 days from submitting the payment request to the Treasury.
93. By way of an exception, the payment deadline may extend beyond thirty days if the payment terms and conditions are set in the contract.
94. Spending Units shall keep a register of received invoices and shall, on the day of the invoice receipt, record the invoice in the respective register.

Annual review of outstanding commitments

95. Spending Units shall annually review all outstanding commitments and balance it with the records in the Treasury General Ledger.
96. Following the balancing, the review of outstanding commitments shall be advised to the Treasury in writing to determine those commitments against which payments will be made in the following fiscal year.
97. The outstanding liabilities (past due) for the current year together with the arrears from the previous years shall constitute the total stock of municipal arrears at the end of the current year.

Advances

98. In order to conduct financial tasks, a Spending Unit may be paid out a specific amount of money from cash holdings as an advance.
99. In addition to these Directions, the method for paying out cash shall be governed by the Internal Procedure for Municipal Cash Holding Operations.
100. Advances are paid out to Spending Units for: frequent small amount payments (business travel, fuel costs, payment orders by inspection authorities), urgent payments, payments to remote Spending Units and similar.
101. A head of an authority shall make an application for an advance in writing to the Chief Finance Officer using the template which makes an integral part of these Directions, where the Spending Unit shall clearly state the purpose of the requested advance, its amount and the officer to whom the advance is to be paid.
102. As a rule, all applications for advances shall be submitted two days before the day envisaged for withdrawal of the advance.

103. A Control Officer for Payment Requests in the Treasury shall verify whether the Application for an Advance has been duly completed, certified and assign it a reference number for record-keeping purposes.
104. A Chief Finance Officer shall approve the Application for an Advance.
105. Approval shall be granted after considering the purpose or the reason for the advance, the amount granted and the timeframe within which the advance shall be active.
106. Once an advance is approved, the Spending Unit shall prepare the Payment Request form and submit it to the Treasury for disbursement.
107. A Finance Officer – a Cashier shall disburse the money from the Treasury cash holdings based on a valid accounting document (travel order, receipt or other document) certified by the head of the authority.
108. Each cash disbursement shall be recorded in the cash holdings book (cash log).
109. The entries into the cash holdings book (cash log) shall be made in a chronological order of cash disbursements.
110. A head of a Treasury or a person authorised by him shall be responsible for day-to-day keeping of advances disbursed by the Treasury.
111. Business travel advances shall be justified within three days of return from the business travel.
112. An employee who received an advance payment shall obtain receipts, invoices and other documents to support all expenditures from advance funds, and the employee who failed to justify prior advance payment received shall not be entitled to a new advance payment.
113. Cash disbursements shall be recorded in the Treasury General Ledger according to economic classification.

Using of a business payment card

114. A business payment card may be used by a mayor.
115. A business payment card may be used for payment of costs covered by business trip orders in the country and abroad (travel, accommodation), as well as entertainment allowance.
116. A business payment card user shall justify the funds spent from the payment by means of fiscal receipts submitted to the Treasury.

Loan agreements

117. A municipality may borrow up to the level set by the Municipal Budget Decision.
118. A Municipality may take short-term loans and issue securities to ensure short-term liquidity.
119. A Municipality may make long-term borrowing solely for capital expenditures, under Art 45 of the Law.

120. A Municipality may issue guarantees with the prior approval by the Government of Montenegro.
121. Under Art 48 of the Law, a Mayor shall enter into agreements on borrowing and issuance of guarantees.
122. Based on Mayor's Decision on Short-term Borrowing or Local Council's Decision on Long-term Borrowing or Issuing Guarantees, a Chief Finance Officer shall proceed as per the borrowing decisions.
123. A Chief Finance Officer shall start negotiations with banks seeking the most advantageous borrowing option and, with Mayor's approval, the most advantageous option shall be accepted and loan agreement drafted.
124. A Loan Agreement shall set mutual relations between a lender and a Municipality.
125. Short-term borrowing for liquidity purposes, under Art 44 of the Law, shall not be taken for a period extending 12 months and shall be repaid not later than by the end of the given fiscal year.
126. Municipal Budget shall envisage allocations for debt servicing.

Management of debt receipts

127. A Municipality shall use borrowing for the designated purpose only.
128. Borrowed funds shall be deposited in the municipal Consolidated Treasury Account.

Recording of debt

129. The records of Loan Agreements, guarantees issued, repayment schedules, interest payment, debt related fees and other terms and conditions of Loan Agreements shall be maintained by the administration authority responsible for finance.
130. The report on the state of municipal debt shall be provided to the Mayor at least quarterly.
131. In case of non-repayment or default in debt servicing, a report shall be provided to the Mayor who will undertake the necessary measures to ensure the payment of the liabilities due.
132. A Chief Finance Officer shall be responsible for keeping records and reporting to the authority responsible for financial matters (hereinafter referred to as: the Ministry) on municipal debt.
133. The reporting method and timeframes are set in Art 55 of the Law.

Municipal guarantees

134. A municipal guarantee shall be a guarantee issued by a Municipality for the purpose of ensuring the repayment of loans for financing capital expenditures.
135. The decision to issue guarantees shall be made by the local Council.

136. Municipal expenditures under guarantees issued shall be paid from the Consolidated Treasury Account against the pertinent budget item.

Budget accounting and financial documents

137. Municipalities must ensure that their budget accounting is compliant with the Law and secondary legislation governing public accounting.
138. Municipalities shall be responsible for proper and accurate accounting and internal control of receipts, commitments and expenditures of their subordinated Spending Units.
139. A Treasury head is obliged to ensure proper safekeeping and filing out of accounting documents.
140. Finance Officers shall use budget execution forms set forth by these Directions.
141. Budget execution forms shall be completed correctly and legibly, and erasure, writing over the figures or the use of correcting fluid is not permitted.
142. In terms with these Directions, financial documentation shall include: year-end Municipal Budget accounts, periodic reports (monthly and quarterly), accounting documentation with budget execution templates, the documentation in reference to borrowing and salary calculations.
143. A Chief Finance Officer is obliged to ensure that financial documentation is kept over the period prescribed by these Directions.
144. Retention periods for specific types of financial records are:
- a) year-end Municipal Budget accounts and the electronic data from the Treasury General Ledger shall be retained indefinitely;
 - b) periodic reports shall be retained for at least five years;
 - c) accounting documentation, including budget execution forms, used as a basis for data input into the Treasury General Ledger shall be retained for at least ten years;
 - d) the documentation in reference to municipal borrowing shall be retained indefinitely; and
 - e) calculations of salaries and other benefits to which mandatory insurance contributions apply shall be retained indefinitely.
145. The originals of financial documents shall be retained.
146. Disposal or destruction of financial documentation shall be done in accordance with the Law governing archives, compliant with the Internal Municipal Procedure.
147. A Treasury head shall keep a register of all financial records disposed of or destroyed which shall include:
- a) date of disposal or destruction of financial records and documents;
 - b) description of financial records and documents being disposed of or destroyed;
 - c) method of disposal or destruction;
 - d) reference details of the authorities required for disposal or destroying;
 - e) names of Finance Officers delegated to conduct the disposal or destruction of financial records; and
 - f) any other relevant information.

Financial reporting

148. As need be, a Treasury head shall provide to a Chief Finance Officer the reports on receipts, expenditures and other reports of transactions done using the Consolidated Treasury Account.
149. A Treasury head shall prepare in-year periodic reports and submit them to a Chief Finance Officer.
150. In-year periodic reports shall be submitted to a Mayor within the timeframes defined by internal procedures or as need be.
151. In-year periodic reports shall be provided to the Ministry or a local Council within the timeframes and in the manner stipulated by the Law.

Preparation of year-end Municipal Budget account

152. At the end of a fiscal year, Finance Officers in Spending Units shall reconcile their accounting records with the Treasury General Ledger (providing provisioning requests, payment requests, supporting documents and other accounting documents).
153. Following the reconciliation with Spending Units, Treasury General Ledger shall be closed.
154. An administration authority responsible for finance shall draft year-end Municipal Budget account and submit the draft to a Mayor.
155. A Mayor shall approve the final Municipal Budget account and submit the draft to a local Council by the end of May of the current year, pursuant to Art 41 of the Law.
156. The draft year-end Municipal Budget account submitted to a local Council shall be supported by financial statements of companies, institutions and other legal entities founded by a Municipality for the year to which the year-end Municipal Budget account pertains.

Auditing of draft year-end municipal account

157. The audit of the draft year-end municipal account shall be done by an independent auditor.
158. During audit work, a Chief Finance Officer is obliged to make available to the independent auditor the financial documents, registers and electronic data pertaining to financial tasks and activities.
159. The audit report together with the audit opinion on the draft year-end Municipal Budget accounts shall make an integral part of year-end Municipal Budget account.

Treasury IT system

160. A head of an authority or a lower organisational unit in charge of the municipal information system operation (hereinafter referred to as: IT Head) is obliged

to ensure safety of the data stored in the Treasury financial IT system, and their confidential use.

161. A head of an authority is obliged to enable safety of data stored in computers, servers and other electronic forms in a Spending Unit or accessible via the computer network.
162. An IT Head is obliged to ensure the maintenance of the system of data back-up in a way that any data, if necessary, may be restored, and back up data shall be kept in a locked and fire resistant safe or case, if possible on the location separated from the main computer centre.
163. The employees of an administration authority responsible for finance shall have limited access to the data, kept in the Treasury IT system provided by means of passwords related to each IT system function.
164. A Chief Finance Officer shall have access to all the data in the Treasury IT system.
165. Any change of data in the Treasury General Ledger due to erroneous entries may be done solely by authorised officers based on the documents and the reasoning signed by an authorised officer, his immediate superior and a Chief Finance Officer.

Agreements with donors

166. In line with the policy of interacting with donors, a Mayor is obliged to:
 - a) have an open dialogue with donors on plans and goals,
 - b) ensure transparency in entering into such agreements and executing programmes,
 - c) set up clear rules and goals that can easily be monitored,
 - č) ensure that donor funding goes to development projects, and
 - ć) ensure regular reporting on the progress made in pursuit of the goals for which donor funding has been obtained.

Reporting of donor-funded development projects

167. A Mayor shall submit an application for funding to the relevant donor.
168. A head of an authority may directly approach a prospective donor for procuring funding.
169. Regardless of the applications for donor-funding, a head of an authority shall not approve any expenditure to be incurred by a prospective development project before the Finance Secretary has approved the development project allocation.
170. The request for donor funding shall be supported by an aggregate overview of donor funding effect on the current budget expenditures, with itemised data on:
 - a) the impact of donor funding on the annual budget in the current and the coming years,
 - b) expected revenues from the project during its life cycle.

Receiving donor funding

171. Donor funding for donor-funded development projects shall be deposited to the municipal Treasury General Account or the designated account for the given purpose.

Registration of donor-funded development projects

172. Once donor funding or a written confirmation that the development project funding is available is received, a Chief Finance Officer shall issue a notification on the funding approved for the development project.

173. When pre-financing of certain donor-funded development projects is required, Municipalities may make use of the Support Fund in line with Art 21 of the Law.

Allocation of funds for a development project

174. After receiving donor funds, a Chief Finance Officer shall allocate to the head of the relevant authority, responsible for the development project implementation, control and supervision, the funds received under this heading.

175. The head of the authority is authorised, based on the funding allocated for a development project, to make a commitment and spend the money to cover for the costs incurred by the project up to the ceiling set by the allocation.

176. A separate report on the allocations for development projects shall be submitted to an independent auditor.

Payments

177. Payments and all other activities referring to the costs incurred through a project implementation shall be done in accordance with these Directions.

Records kept at the Finance Secretariat

178. A Chief Finance Officer shall ensure that separate records are maintained in the Treasury General Ledger and other records as considered necessary to register accurately the receipt of all aid donor funds and in such a manner as to identify each sum received from donors against a particular programme or project, as well as other relevant donor data.

179. A beneficiary Spending Unit shall prepare and submit to donors, upon their request, detailed reports on the use of donor funds for the development project.

180. A head of an authority shall inform a Chief Finance Officer of the development project completion.

181. Final verification and control of spending shall be done in the Treasury and the

beneficiary Spending Unit, and in case of any outstanding commitment, such liabilities need to be settled.

182. A Chief Finance Officer is responsible for the dissemination of these Directions to heads of Spending Units, and a head of a Spending Unit is responsible to follow the Directions in his Spending Unit.

Repeal

183. With the day these Directions enter into force, the following are hereby repealed: the Directions on the Local Self-Government Treasury Operations (Official Gazette of Montenegro – Municipal Regulations 39/04), the Directions on the Local Self-Government Treasury Operations (Official Gazette of Montenegro – Municipal Regulations 40/04), the Directions on the Local Self-Government Treasury Operations (Official Gazette of Montenegro – Municipal Regulations 1/05), the Directions on the Local Self-Government Treasury Operations (Official Gazette of Montenegro – Municipal Regulations 7/05), the Directions on the Local Self-Government Treasury Operations (Official Gazette of Montenegro – Municipal Regulations 11/05), the Directions on the Local Self-Government Treasury Operations (Official Gazette of Montenegro – Municipal Regulations 13/05), the Directions on the Local Self-Government Treasury Operations (Official Gazette of Montenegro – Municipal Regulations 16/05), the Directions on the Local Self-Government Treasury Operations (Official Gazette of Montenegro – Municipal Regulations 17/05), the Directions on the Local Self-Government Treasury Operations (Official Gazette of Montenegro – Municipal Regulations 23/05), the Directions on the Local Self-Government Treasury Operations (Official Gazette of Montenegro – Municipal Regulations 24/05), the Directions on the Local Self-Government Treasury Operations (Official Gazette of Montenegro – Municipal Regulations 34/05 and 36/05), the Directions on the Local Self-Government Treasury Operations (Official Gazette of Montenegro – Municipal Regulations 34/05), the Directions on the Local Self-Government Treasury Operations (Official Gazette of Montenegro – Municipal Regulations 37/06), the Directions on the Treasury Operations for the Municipality of Pljevlja (Official Gazette of Montenegro – Municipal Regulations 8/13), the Directions on the Treasury Operations for the Old Royal Capital Cetinje (Official Gazette of Montenegro – Municipal Regulations 6/15), the Directions on the Treasury Operations for the Municipality of Budva (Official Gazette of Montenegro – Municipal Regulations 18/16), the Directions on the Treasury Operations for the Municipality of Šavnik (Official Gazette of Montenegro – Municipal Regulations 24/16), the Directions on the Treasury Operations for the Municipality of Kotor (Official Gazette of Montenegro – Municipal Regulations 26/16), the Directions on the Local Self-Government Treasury Operations (Official Gazette of Montenegro – Municipal Regulations 33/16), the Directions on the Treasury Operations for the Capital City Podgorica (Official Gazette of Montenegro – Municipal Regulations

25/17 and 33/18), and the Directions on the Treasury Operations for the Municipality of Nikšić (Official Gazette of Montenegro – Municipal Regulations 25/18);

Entry into Force

184. These Directions shall enter into force on the eighth day upon their publication in the Official Gazette of Montenegro.

Number: 01-13-2526/2
Podgorica, 04 March 2019

MINISTER,
Darko Radunović

MUNICIPALITY _____
THE SECRETARIAT FOR FINANCE

SCHEDULE OF PAYMENTS

Date _____

Spending Unit's code Name of the Spending Unit _____

Economic classification	Description	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total

Chief Finance Officer _____ seal Mayor _____

MUNICIPALITY _____
THE SECRETARIAT FOR FINANCE

Spending Unit's code Name of the Spending Unit _____

Date _____

Monthly allocation for _____

Functional classification	Economic classification	Description	Amount of prior allocations	Current allocation	Total allocation
		Total			

seal Chief Finance Officer _____

MUNICIPALITY _____
THE SECRETARIAT FOR FINANCE - TREASURY

Spending Unit's code

Name of the Spending Unit _____

Date _____

Provisioning request no. _____

No.	Functional classification	Economic classification	Description	Amount
1				
2				
3				
4				
5				
6				
7				
8				
9				
10				
11				
12				
13				
14				
15				
16				
17				
18				
19				
20				
Total				

Certifying Officer _____

Approving Officer _____

Date _____

Commitment confirmed

Commitment rejected

Control Officer _____

Date _____

MUNICIPALITY _____
 THE SECRETARIAT FOR FINANCE - TREASURY

Spending Unit's code

Name of the Spending Unit _____

Payment request no. _____

Commitment
 Recurrent

Date _____

Total amount

Treasury account no. _____

Indicator

Name of supplier - recipient _____

Supporting document:

Address of supplier- recipient _____

Contract

Account no. for supplier - recipient _____

Invoice

Ref. no. _____

Pay roll

Purpose of payment _____

Other _____

No.	Functional classification	Economic classification	Description	Provisioning and line no.	Amount
TOTAL					

Certifying Officer _____

Approving Officer _____

Date _____

Payment Request confirmed

Payment Request rejected

Control Officer for Payment Requests _____

Chief Finance Officer _____

Date _____

MUNICIPALITY _____
 THE SECRETARIAT FOR FINANCE - TREASURY

JOURNAL TRANSFER

Spending Unit's code Name of the Spending Unit _____

Date _____

Payment Request no.	Economic Classification	Amount

Change to

Economic classification	Amount

Explanation: _____

Certifying Officer _____

Approving Officer _____

Date _____

Chief Finance Officer _____

Date _____

MUNICIPALITY _____
THE SECRETARIAT FOR FINANCE - TREASURY

Spending Unit's
code

Name of the Spending Unit _____

APPLICATION FOR AN ADVANCE

This is to apply for an advance in the amount of € _____ issued to the officer

_____, performing the tasks of
 (name and surname of the officer)

_____ in _____
 (job title) (Spending Unit)

for the purpose of _____.

Date: _____ Head of the authority _____

(To be completed by the Treasury)

The advance no. _____ in the amount of € _____ for the above stated purpose is hereby approved
 and may be disbursed.

Control Officer for Payment Requests _____

Chief Finance Officer _____ Date _____