



UNMIK/REG/2003/41
31 December 2003

REGULATION NO. 2003/41

**ON THE APPROVAL OF THE KOSOVO CONSOLIDATED BUDGET
AND AUTHORIZING EXPENDITURES FOR THE PERIOD 1 JANUARY TO
31 DECEMBER 2004**

The Special Representative of the Secretary-General,

Pursuant to the authority given to him under United Nations Security Council Resolution 1244 (1999) of 10 June 1999,

Taking into account United Nations Interim Administration Mission in Kosovo (UNMIK) Regulation No. 1999/1, of 25 July 1999, as amended, on the Authority of the Interim Administration in Kosovo,

Having regard to the responsibilities of the Provisional Institutions of Self-Government under sections 5.1 (a) and (b) and section 5.2 (c) of UNMIK Regulation No. 2001/9 of 15 May 2001, as amended, on a Constitutional Framework for Provisional Self-Government in Kosovo in the fields of economic and financial policy, fiscal and budgetary issues and assisting municipalities to develop their own budgets and financial management systems,

Taking into account the final authority of the Special Representative of the Secretary-General under section 8.1 (c) of UNMIK Regulation No. 2001/9 of 15 May 2001, as amended, on a Constitutional Framework for Provisional Self-Government in Kosovo to approve the Kosovo Consolidated Budget,

Taking into account Annex II to UNMIK Regulation 2001/19 of 13 September 2001, on The Executive Section of Provisional Institution of Self-Government in Kosovo,

Taking into account the Law on Public Financial Management and Accountability adopted by the Assembly of Kosovo on 23 January 2003 (Law 2003/2), as promulgated by UNMIK Regulation No. 2003/17, which includes many specific provisions which were included in previous years' budget Regulations,

Having considered the communication dated 23 December 2003 from the President of the Assembly of Kosovo on the proposed annual appropriations legislation, and the advice of the Economic and Fiscal Council, and

For the purpose of approving the Kosovo Consolidated Budget and other related matters,

Hereby promulgates the following:

Section 1 Definitions

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

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

“Balances” means the amounts of unexpended commitments, unallocated appropriations, uncommitted allocations and any revenues in excess of the sum of expenditures and unexpended commitments carried forward from Fiscal Year 2003.

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

“Expenditure categories” means Salaries and Wages, Other Goods and Services, Subsidies and Transfers, Capital Outlays and Reserve.

“Expenditures” means payments of money from the Kosovo Consolidated Fund.

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

“Kosovo General Budget” means the budget comprising the unconsolidated budgets for all Kosovo Budget Organizations in the sectors of government activity represented by the Provisional Institutions of Self-Government (including

Municipalities) and the Reserved Powers, the appropriations for which are set out in Schedule 2 to the present Regulation.

“Reserved Power Budget Organizations” means the Budget Organizations receiving an appropriation under Table B of Schedule 2 attached to the present Regulation.

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

Section 2

Approval of the Kosovo Consolidated Budget for 2004

The Kosovo Consolidated Budget for 2004 as set out in Schedule 1 is approved. Such Budget may be amended by the Special Representative of the Secretary-General under an Administrative Direction, in conformity with the provisions of the Public Financial Management and Accountability Law, as promulgated by UNMIK Regulation No. 2003/17.

Section 3

Kosovo General Budget Appropriations

3.1 Appropriations from the Kosovo Consolidated Fund for the Fiscal Year 2004, as set out in Schedule 2 attached to the present Regulation, and the expenditures itemized under the Kosovo General Budget for General Government purposes indicated and the amounts shown in Schedule 2, are authorized. The expenditure estimates indicated in Schedule 3 for Fiscal Year 2005 and Fiscal Year 2006 are projections only and are not authorized.

3.2 The Special Representative of the Secretary-General may issue an Administrative Direction amending Schedule 2 and 3 attached to the present Regulation in conformity with the provisions of the Public Financial Management and Accountability Law, as promulgated by UNMIK Regulation No. 2003/17.

3.3 The Minister of Finance and Economy shall maintain, through the Treasury Accounting Record supplemented as necessary by other records, a record of all approved appropriations, appropriation transfers or other approved adjustments to appropriations made during Fiscal Year 2004. At least twice annually, for the annual Mid-Year Review of the Budget and a final report within one month of the close of the Fiscal Year 2004 and otherwise as requested by the Special Representative of the Secretary-General, the Minister for Finance and Economy shall present to the Special Representative of the Secretary-General, the Government and the Assembly, a comprehensive report detailing and reconciling the originally approved Budget 2004

appropriations, all subsequent transfers and other changes and the final appropriations for the Fiscal Year 2004.

Section 4 Municipal Budget Appropriations

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

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

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

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

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

4.6 Within 15 days from the end of each quarter of the Fiscal Year 2004, each Municipality shall prepare and submit a report to the Office of Community Affairs on their fair-share financing and other relevant standards and benchmarks.

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

(a) Holding back of future allocations from the Kosovo General Budget until such time as the shortfall has been addressed;

(b) Designation of criteria for Municipalities on expenditure of available funds;

(c) Carrying forward committed unexpended 2003 municipal funds, up to the level commensurate with the deficit in spending for non-majority communities in accordance with the percentages provided in Schedule 3 of UNMIK Regulation 2002/23, for specific non-majority community projects in 2004;

(d) Diversion of municipal funds directly to non-majority communities;

(e) De-certification of the Municipality in question; and

(f) Appointment of a Municipal Financial Administrator pursuant to Section 61 on the Public Financial Management and Accountability Law, as promulgated by UNMIK Regulation No. 2003/17, as appropriate.

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

Section 5

Central Budget Organization Own Source Revenues

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

5.2 The Minister of Finance and Economy is authorized to sign, with the approval of the Government, a Memorandum of Understanding with a Budget Organization to address:

(a) The procedures for the collection, reconciliation and deposit of the revenue in the Kosovo Consolidated Fund; and

(b) The amount or proportion of the revenue that will be appropriated to the Budget Organisation.

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

5.4 All changes in revenues and appropriations resulting from such Memorandum of Understanding shall be incorporated into the next revision of the Budget Schedules approved by the Special Representative of the Secretary-General in accordance with Sections 2 and 3.

Section 6

Appropriation and Re-Appropriation of Balances and Surplus Carried Forward Funds

6.1 No later than thirty (30) days after the closure of Fiscal Year 2003, the Government shall submit to the Assembly and to the Special Representative of the Secretary-General, through the Economic and Fiscal Council:

(a) A preliminary Schedule indicating the total sources and amounts of the elements of the funds carried forward as a cash surplus from Fiscal Year 2003:

(b) A proposed schedule of the re-appropriation of unexpended commitments for Central Government organizations and Municipalities in the cash surplus;

(c) A preliminary schedule showing all unallocated appropriations and uncommitted allocations of Municipal General, Education, Health and Local Community Organization Grants appropriated in Fiscal Year 2003 and recorded in the Treasury Accounting Record, together with a proposal for the use of such unexpended balances;

(d) Initial Recommendations on the usage of the remaining Surplus funds having consulted as necessary the Budget and Grants Commission.

6.2 Upon approval by the Special Representative of the Secretary-General, the proposed re-appropriation of the unexpended commitments referred to in Section

6.1(b) and unallocated appropriations or uncommitted allocations of Municipalities referred to in Section 6.1(c), shall be deemed authorized for the period 1 January to 31 December 2004 from the Kosovo Consolidated Fund. The Minister of Finance and Economy shall make the adjustment to the amounts appropriated in Schedule 2 in the Treasury Accounting Record. Such changes shall be incorporated into the next revision of the Budget Schedules approved by the Special Representative of the Secretary-General in accordance with Sections 2 and 3.

6.3 Having consulted the Government and Economic and Fiscal Council on the recommendations for the usage of the Surplus funds, the Special Representative of the Secretary-General shall approve the usage of the remaining surplus funds. In approving the usage of the remaining surplus funds, the Special Representative of the Secretary-General will seek, through the Government, the views of the Assembly. The approved appropriations of the remaining surplus funds shall be deemed authorized for the period 1 January to 31 December 2004 from the Kosovo Consolidated Fund. The Minister of Finance and Economy shall make the adjustment to the amounts appropriated in Schedule 2 in the Treasury Accounting Record. Such changes shall be incorporated into the next revision of the Budget Schedules approved by the Special Representative of the Secretary-General in accordance with Sections 2 and 3.

6.4 Unexpended balances of "Municipal Own Source Revenues" from Fiscal Year 2003 and earlier, to the extent they have been deposited in the Kosovo Consolidated Fund and recorded in the Treasury Accounting Record as appropriations to a municipality, are appropriated and authorized for Fiscal Year 2004.

6.5 Unexpended balances of designated donor grants, which grants were actually received and recorded in the Treasury Accounting Record in 1999, 2000, 2001, 2002, and 2003 are appropriated and authorized for Fiscal Year 2004.

Section 7

Limits on Commitments and Expenditures

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

- (a) From an amount that has been appropriated therefore; and
- (b) In accordance with the other requirements of the present Regulation.

7.2 Unless otherwise approved by the Special Representative of the Secretary-General, donor gifts, loans or grants shall be deposited into, and appropriately accounted for as part of, the Kosovo Consolidated Fund. Upon completion of the procedures as approved by the Special Representative of the Secretary-General for acceptance of donor funds or as authorised by the Special Representative of the

Secretary-General, and after being deposited into the Kosovo Consolidated Fund or as otherwise approved by the Special Representative of the Secretary-General, such gifts, loans or grants shall be deemed to have been appropriated for the specified purpose or purposes, and may be allocated and expended for such purpose or purposes.

7.3 Each Budget Organization is required to ensure that the number of its staff does not at any time during Fiscal Year 2004 exceed the number specified in Schedule 2 attached to the present Regulation.

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

Section 8 Contingent Expenditures

8.1 Funds for contingent expenditures are appropriated as:

(a) A “Reserve of the Minister of Finance and Economy” in Table A of Schedule 2; and

(b) A “Reserve of the Special Representative of the Secretary-General” in Table B of Schedule 2. The amounts authorized for contingent expenditures may be used only for urgent and/or unforeseen requirements.

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

(a) Transfers of amounts less than or equal to and €250,000 from the “Reserve of the Minister of Finance and Economy” shall be authorized, on receipt of proper justification, by the Minister of Finance and Economy;

(b) Transfers of amounts greater than €250,000 from the “Reserve of the Minister of Finance and Economy” shall be authorized, on receipt of proper justification, by the Minister of Finance and Economy after receiving the approval of the Government; and

(c) Transfers of amounts from the “Reserve of the Special Representative of the Secretary-General” shall be authorized by the Special Representative of the Secretary-General.

Section 9 Transfer of Amounts Appropriated

9.1 The Special Representative of the Secretary-General may, following consultation with the Government, authorize a transfer of appropriated amounts between the tables of Schedule 2.

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

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

9.4 The Minister for Finance and Economy may, if provided with a valid justification by the heads of two budget organizations, authorize the transfer of part of an appropriation of one budget organisation to another budget organization. Such transfer may only be authorized with the written approval of the Special Representative of the Secretary-General and in the case of transfers of up to 40% of the negatively affected appropriation, the Government, or for transfers of greater than 40%, the Assembly.

9.5 Upon approval, an adjustment to the amounts appropriated in Schedule 2 shall be made by the Minister of Finance and Economy in the Treasury Accounting Record. Such changes shall be incorporated into the next revision of the Budget Schedules approved by the Special Representative of the Secretary-General in accordance with Section 3.

Section 10 Lapsing of Appropriations and Allocations

Other than in those cases where the present Regulation provides for re-appropriation, appropriations and funds allocations made in Fiscal Year 2004 shall automatically lapse at midnight of 31 December 2004.

Section 11
Entry into Force

The present regulation shall enter into force on 31 December 2003.

Harri Holkeri
Special Representative of the Secretary-General

Schedule 1
Kosovo Budget

Schedule 2
Kosovo General Budget

Table A: For Provisional Government Budget Organizations
(As attached)

Table B: For Reserved Power Organizations
(As attached)

Table C: For Budget Organizations that are Municipalities
(As attached)

Schedule 3
Kosovo General Budget - Functional Classification

(As attached)

Schedule 4
Proportions to be used by the Specified Municipality for the Purpose of Allocating Funds under the Fair Share Financing Principles

(As attached)