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Specifics of budgetary system(s) within Bosnia and Herzegovina

Specyfika systemów budżetowych w Bośni i Hercegowinie

Abstract. This paper examines budgetary system in the Bosnia and Herzegovina (BiH), focusing on budgets of the Republika Srpska and the institutions of the BiH. The objective of the research is to compare these two systems in terms of budget preparation, adoption, execution, and control, highlighting differences in legal competence, organizational structure, and fiscal autonomy. The study investigates constitutional and statutory provisions, as well as budgetary practices at both the entity and state levels. A doctrinal and comparative approach is employed, analyzing primary legislation, secondary regulations, and institutional documents. The hypothesis is that the Republika Srpska's budget, as a unitary system, exhibits greater legal and procedural coherence, while the budget of the BiH institutions, operating within a multi-entity framework, reflects a complex intergovernmental coordination without hierarchical authority over entity budgets. The paper demonstrates how legal frameworks and institutional arrangements shape fiscal accountability, transparency, and efficiency in both systems. Findings indicate that, despite structural differences, both systems function within clearly

defined procedures and budgetary control mechanisms, offering insights into how organizational models influence fiscal responsibility and the management of public funds. By providing a comparative perspective, the study contributes to a deeper understanding of budgetary systems in highly decentralized states such as the Bosnia and Herzegovina.

Keywords: budget; budgetary system; Republika Srpska; institutions of Bosnia and Herzegovina; Bosnia and Herzegovina.

Streszczenie. Niniejszy artykuł analizuje system budżetowy w Bośni i Hercegowinie, koncentrując się zarówno na budżetach Republiki Serbskiej, jak i wspólnych instytucji BiH. Celem pracy jest porównanie tych dwóch systemów pod względem przygotowania, uchwalania, wykonania i kontroli budżetu, z uwzględnieniem różnic w kompetencjach prawnych, strukturze organizacyjnej oraz autonomii fiskalnej. Badanie obejmuje przepisy konstytucyjne i ustawowe oraz praktyki budżetowe na poziomie jednostek składowych i państwa. Zastosowano podejście doktrynalne i porównawcze, analizując przepisy pierwotne, regulacje wtórne oraz dokumenty instytucjonalne. Hipoteza zakłada, że budżet Republiki Serbskiej, jako system unitarno-jednolity, wykazuje większą spójność prawną i proceduralną, podczas gdy budżet instytucji BiH, funkcjonujący w ramach struktury wielojednostkowej, odzwierciedla złożoną koordynację międzyrządową bez hierarchicznej kontroli nad budżetami jednostek składowych. Artykuł pokazuje, w jaki sposób ramy prawne i struktury instytucjonalne kształtują odpowiedzialność fiskalną, przejrzystość i efektywność w obu systemach. Wyniki wskazują, że mimo różnic strukturalnych oba systemy funkcjonują w ramach jasno określonych procedur i mechanizmów kontroli budżetu, dostarczając wglądu w wpływ modeli organizacyjnych na odpowiedzialność fiskalną i zarządzanie środkami publicznymi. Dzięki perspektywie porównawczej badanie przyczynia się do głębszego zrozumienia funkcjonowania systemów budżetowych w wysoko zdecentralizowanych państwach, takich jak Bośnia i Hercegowina.

Słowa kluczowe: budżet; system budżetowy; Republika Serbska; instytucje Bośni i Hercegowiny; Bośnia i Hercegowina.

1. Introduction

The post-war constitutional and institutional architecture of the Bosnia and Herzegovina (hereinafter: the BiH) represents an exception both in comparative constitutional law and in the theory of public finance regulation. As a direct consequence of a civil war in the 1990s and a signing of the General Framework Agreement for Peace in the BiH, also known as the Dayton Peace Agreement (hereinafter: the DPA), a highly atypical legal framework for public finance was established – one largely unknown to a legal theory and almost non-existent in state practice¹. The period from the conclusion of the DPA in late 1995 to the present days has been marked by complex political dynamics that have significantly influenced the functioning of the BiH as a state union.

The Constitution of the BiH, adopted in 1995 as Annex IV to the DPA, preserved a legal continuity of the former Republic of the BiH, while redefining its internal constitutional structure². The two entities, namely the Republika Srpska (hereinafter: the RS) and the Federation of Bosnia and Herzegovina (hereinafter: the FBiH) were confirmed as constituent units of the state, with their constitutions adopted earlier: in 1992 for the RS³ and in 1994 for the FBiH⁴. Notably, the original constitutional provisions of the RS concerning budgetary principles (Articles 61, 62, 70, 90, and 102) have remained unchanged since 1992, notwithstanding the adoption of the BiH Constitution in 1995. These provisions form the constitutional foundation of the RS's budgetary system, which is the oldest

¹ B. Vasiljević, *Legal framework of the tax system in BiH*, doctoral dissertation defended 13 December 2013 on Faculty of Law, University of East Sarajevo, Pale, 2013, p. 372.

² The BiH has 13 constitutions and one Statute of the Brčko District with constitutional force: the Constitution of the BiH, those of the FBiH and RS, and ten cantonal constitutions within the FBiH.

³ Constitution of the Republika Srpska of 28 February 1992, consolidated text: SGRS [Službeni glasnik Republike Srpske – Official Gazette of the RS] of 1992, Br. [No] 21 with subsequent amendments.

⁴ Constitution of the Federation of Bosnia and Herzegovina of 30 March 1994, SNFBiH [Službene novine Federacije Bosne i Hercegovine – Official Gazette of the FBiH] 1994, Br. [No] 1 with subsequent amendments.

still in force within the BiH⁵. The budgetary system of the FBiH was established in 1994.

In contrast to most European and former Yugoslav budgetary traditions, the financing of the state-level budget, covering the expenditures required for the functioning of the BiH's institutions and the servicing of its international obligations was initially based on proportional (fixed) contributions from the entities: two-thirds from the FBiH and one-third from the RS⁶. That said, the asymmetry of the internal constitutional arrangements further mirrors a complexity of fiscal system: the RS is organized as a centralized and unitary entity, while the FBiH is organized as a decentralized federation of ten cantons with divided competencies. Since March 8 2000, the Brčko District of the BiH (hereinafter: the BDBiH) has functioned as a separate autonomous administrative unit within the BiH.

On the other hand, the Constitution of the BiH prescribes very limited competencies for the state of the BiH, while all other functions and powers not explicitly assigned to state institutions belong to the entities. This presumption of authority equally applies to a sphere of public finance within the BiH, encompassing public revenues, public expenditures, budgets, and fiscal equalization⁷. According to the provisions of the Constitution of the BiH, as well as the (all) other constitutions, the entities are competent for all public revenues and expenditures, as well as for func-

⁵ The understanding of fiscal and budgetary relations in the BiH can be a demanding task. More on an evolution of fiscal systems in the BiH: N. Vranjes, B. Vasiljević Poljašević, *Public Finance in BiH – Domestic Legal Framework and European Standards*, Politeia, 2019, vol. 9, No 17, pp. 123–141, DOI: 10.5937/politeia0-22230; Đ. Marilović, *Legality in Budgetary Law*, Collection of Papers “Law Between Creation and Interpretation”, East Sarajevo 2023, pp. 373–392, BiH Constitution, Art. VIII.

⁶ Although Article VIII of Annex 4 of the Dayton Peace Agreement (the Constitution of the BiH) prescribes entity financing of the state budget in a fixed 1/3:2/3 ratio, this practice has changed since 2005/2006. The budget is now financed through coefficients for allocating indirect tax revenues, periodically revised and applied by consensus of the entities through the Governing Board of the Indirect Taxation Authority and the Fiscal Council of the BiH.

⁷ N. Vranješ, B. Vasiljević Poljašević, *Public Finance in BiH* ..., p. 124–125.

tions that have not been explicitly transferred to the common institutions of the BiH⁸.

Although the constitutional allocation of powers suggests a limited role for the state, in practice the past three decades have seen a transfer of certain⁹ original competencies from the entities to state institutions. A key turning point occurred in, i.e. from 2003–2006, when the entities transferred their constitutional authority over indirect taxation to the institutions of the BiH. This reform established the Indirect Taxation System of the BiH, ensuring the direct collection of revenues necessary to finance state-level responsibilities and international obligations. The process was carried out under considerable external political pressure and amid questions regarding its legality. Nonetheless, the process also reflected an influence of a consensual decision-making, as evidenced by the agreed transfer of taxation competencies and a subsequent harmonization of fiscal policies through the Fiscal Council of the BiH (hereinafter: the FCBiH).

In this respect, the budgetary framework of the BiH reflects its complex constitutional and legal structure. The framework is characterized by significant decentralization of fiscal policy and public finance management. As mentioned earlier, the country has fourteen constitutions, including the Statute of the Brčko District, resulting in multiple tiers of government, each possessing its own budget and financial legislation¹⁰. This multilayered system includes the state, the entities (the FBiH and RS), the Brčko District, the cantons within the Federation of the BiH, and local self-government units in both entities, all with separate ministries or departments of finance.

The FBiH is organized similarly to a federation composed of a central level and ten cantons, which are further divided into 80 local

⁸ The only original competence of the BiH in the sphere of fiscal policy is customs policy and the determination of tariffs, whereas all other tax policies, including the system of social contributions, are entirely within the competence of the entities.

⁹ For the purposes of this paper, attention is directed solely to public finances and the budgetary system.

¹⁰ For more on this, see: G. Milošević, B. Vasiljević Poljasević, B. Kulić, M. Kulić, *Financial Law*, Banja Luka 2018, p. 231–239.

self-government units¹¹. Cantons have certain original competences, particularly in the fields of education, security, health care, and social protection. In other areas such as financing, economic development, urban planning, culture, and infrastructure, cantons share competences with the federal level and local units. Each legislative and policy measure at cantons' level requires the adoption of special laws, strategies, and other acts, with the provision of adequate funding and oversight.

Furthermore, according to the Law on Budgets of the FBiH, extrabudgetary funds represent enterprises, organizations, and institutions that provide public services and serve the public interest, and are established by special regulations. Within the FBiH, 25 extrabudgetary funds are actively functioning: two at the Federation level (the Federal Health Insurance and Reinsurance Institute and the Federal Employment Institute), as well as 23 at the cantonal level, including 10 cantonal employment services, 10 cantonal health insurance institutes, and three cantonal road directorates.

In contrast, the RS is organized like a unitary state with two levels of government: central and local (a total of 64 local self-government units, comprising 12 cities and 52 municipalities). This internal organization and structure is simpler, if compared to the federal model, yet it still entails numerous challenges in management and coordination at the local level. Additionally, four extra-budgetary funds have been established in the RS: the Pension and Disability Insurance Fund of the RS, the Health Insurance Fund of the RS, the Employment Bureau of the RS and the Public Fund for Child Protection of the RS¹².

¹¹ The FBiH comprises ten cantons with competences defined by the FBiH Constitution and their own constitutions. Cantons hold original, shared, and delegated powers, depending on a degree of decentralization, and may further regulate relations and competences with local communities through special regulations.

¹² Extrabudgetary funds are state-established entities for social policy functions such as pensions, health, and unemployment insurance. The RS Pension and Disability Insurance Fund operate through the treasury system as an indirect budget beneficiary, managing its resources via the Single Treasury Account. Unlike budgetary users financed solely from the budget, extrabudgetary funds have independent revenues from contributions, though their disbursement and control follow treasury rules to ensure fiscal discipline and transparency.

Finally, the BDBiH has its own unique status and budgetary system, as well.

However, while the budgetary systems and legal frameworks of the FBiH and the BDBiH are well established, they will not be subject to a detailed analysis in this paper, given this article's scope and focus.

2. Legal budgetary framework in the BiH

As for the regulations governing budgetary policies and processes, each level of a government in the BiH, both at the BiH level and at the entity level, has its own legislative framework. These regulations are largely similar. However, certain differences in regulating specific issues remain. Hence, it cannot be claimed that the legislation in this area is fully coherent. Nevertheless, it can be said that the budgetary system in the BiH rests on clear and precise legal frameworks that cover all phases of the budgetary process, from a preparation and an adoption, through an execution, to control and audit. The core values of this (read: these) system(s) are planning, accountability, transparency, and efficient control mechanisms. They are prescribed by numerous legislative acts and standards. Last of the mentioned values ensure a functional and responsible approach to managing public funds, supporting stability and development at all levels of a government.

At the state level, the foundation of budgetary regulation is the Law on Financing the Institutions of the BiH (hereinafter: the LFIBiH)¹³, while each entity and the BDBiH have their own specific legislative frameworks, namely The Law on Budgets in the FBiH¹⁴, the Law on the Budgetary System of the RS¹⁵, and the Law on the Budget of the BDBiH¹⁶.

¹³ Law on the Financing of the Institutions of the BiH of 29 December 2004, Sluzbeni glasnik Bosne i Hercegovine [SGBiH – Official Gazette of the Bosnia and Herzegovina] of 2004, Br. 21 with subsequent amendments.

¹⁴ Law on Budgets of the FBiH of 25 December 2013 SNFBiH of 2013, Br. 102 with subsequent amendments.

¹⁵ Law on the Budgetary System of the RS of 25 December 2012, SGRS of 2012, Br. 121 with subsequent amendments.

¹⁶ Law on the Budget of the BDBiH of 18 December 2019, Službeni glasnik Brčko distrikta Bosne i Hercegovine [Official Gazette of the BDBiH] of 2019, Br. [No] 34 with subsequent amendments.

In addition to these (basic) laws, other important regulations govern financial management, coordination of fiscal policies in the BiH to ensure macroeconomic stability and fiscal sustainability of the BiH, the FBiH, RS, and the BDBiH. These laws also regulate a control of public funds and public procurement, thereby ensuring accountability and efficiency in the use of public resources.

Furthermore, numerous strategies and development plans have been adopted. Although they are not legally binding, they play a vital role in setting priorities. They can also be seen as guidelines in the budgetary process. In this way they contribute to long-term and sustainable development.

The budgeting process at the BiH level, the entity level, and lower levels formally begins with the drafting of the Budget Framework Document (hereinafter: the BFD). That document contains revenue and expenditure projections for current year and the next three years. The preparation and adoption of the BFD must be preceded by the conclusion of a fiscal framework agreement, namely the Agreement on the Global Framework of Fiscal Balance and Policies (hereinafter: the GFFBP). The Law on the FCBiH¹⁷ established the FCBiH as a body responsible for harmonizing fiscal policy across all levels of governance. i.e. a government in the country, with the aim of preserving macroeconomic stability and long-term fiscal sustainability¹⁸.

Fiscal policy coordination in the BiH is achieved through the adoption of the GFFBP. This is a strategic document, which outlines proposed fiscal targets, macroeconomic forecasts, and borrowing limits for state and entity institutions. This framework also defines the maximum allowable levels of expenditure, revenue, and borrowing, setting clear parameters to ensure fiscal sustainability and to prevent excessive indebtedness. In addi-

¹⁷ Law on Fiscal Council in BiH of 5 August 2008, Službeni glasnik Bosne i Hercegovine [Official Gazette of the Bosnia and Herzegovina] of 2008, Br. [No] 63.

¹⁸ The Council consists of six key members: the Chairperson of the Council of Ministers of the BiH (hereinafter: CoM) of the BiH, the Prime Ministers of the RS and the FBiH, as well as the finance ministers (and treasurers) from all three levels of government. As observers without voting rights at the Council sessions, in addition to these six members with voting rights, the Governor of the Central Bank of the BiH and the President of the Government of the BDBiH also attend.

tion, it includes projections of indirect tax revenues and their allocation among the RS, the FBiH and the BDBiH. Thus, the framework facilitates a coordinated financing across all levels of a government.

The GFFBP is prepared and adopted for a three-year period and it is regularly revised on an annual basis. It is concluded as a joint agreement between the Government of the FBiH, the Government of the RS, and the CoM. Following its adoption, the executive authorities – namely the CoM, the Government of the FBiH, and the Government of the RS prepare their respective the BFDs in line with the agreed GFFBP¹⁹.

Based on these BFDs, the executive authorities draft and propose budgets for the following fiscal year and submit them to the competent parliaments, i.e. the Parliamentary Assembly of the BiH (hereinafter: the PABiH), the Parliament of the FBiH, or the National Assembly of the RS (hereinafter: the NARS), as well as to cantonal and local assemblies for review and adoption²⁰. The entire process follows a budgetary calendar, which prescribes deadlines for budget preparation, submission, and approval.

In addition, clear standards are envisaged in law for financial reporting and accounting procedures in the BiH institutions, ensuring transparency and controlled management of public finances.

A particular feature of the budgetary system of the BiH is its multi-tiered structure, in which each level of a government has an independent revenue sources and corresponding obligations. This system is further shaped by a significant share of financial resources originating from international transfers and foreign donations, indicating a complex international interconnection and dependence on the country's financial operations. In this sense, one of the key specificities of the BiH system is that a budget of the BiH is not some sort of a “super-budget” over the entity budgets

¹⁹ Like the GFFBP, these documents contain the same projections and may be revised, as they are, as a rule, updated annually.

²⁰ To assist the FCBiH, an Advisory Group of seven permanent members - two from each entity and the state level, plus one from the Brčko District - prepares draft decisions and legal acts. Appointed by top government representatives, the group may include temporary members as needed. Its operation is governed by the FCBiH Rules of Procedure, ensuring transparent fiscal coordination, while violations of agreements are subject to monetary sanctions.

or any lower-level budget. Contrary to this, each level of a government operates within its own fiscal autonomy and responsibility, which significantly affects the dynamics of public finance management.

The complexity of the budgetary system is further emphasized by intricate revenue distribution mechanisms, particularly regarding revenues from indirect taxes, whose allocation between the BiH and the RS, the FBiH and the BDBiH levels requires an extensive coordination and consensus²¹. In addition, ethnic and political factors in the BiH often influence a process of budget adoption and execution. These processes can “slow down” or “condition” a pace of budgetary procedures. All these elements make the budgetary system in the BiH highly complex, yet adapted to the specificities of the state structure and political realities of the country.

2.1. Legal framework for the preparation, adoption and execution of the budget of the Institutions of the BiH

According to Article 2 of the LFIBiH, the budget constitutes an act of the PABiH which establishes a financial activity plan for budget beneficiaries. The plan includes projected revenues and approved expenditures for a fiscal year, which coincides with a calendar year. The budget also determines the upper limit of the total public debt of the BiH, encompassing both existing liabilities and the projected new borrowing for that fiscal year. All of the BiH institutions and other bodies financed from the budget, including regulatory agencies, are designated as budget beneficiaries under this Law. These provisions define both a framework and participants in the budgetary process. In this way, they ensure clarity regarding the roles and responsibilities in planning and execution of a budget.

Unlike the entity levels of a government, the BiH does not possess a government in a classical sense; the CoM functions as an auxiliary body to the Presidency of the BiH (hereinafter: the Presidency). The Constitu-

²¹ For more on this, see: G. Milošević, B. Vasiljević Poljašević, M. Kulić, *Financial law...*, p. 242; B. Vasiljević, *Legal framework...*, pp. 166–169.

tion of the BiH explicitly provides that the Presidency submits the budget proposal to the PABiH, reflecting a unique institutional practice within the country. The budget is prepared and formulated by the CoM, specifically the Ministry of Finance and Treasury of the BiH (hereinafter: the MFT-BiH), based on the requests of budget users and in accordance with the guidelines of the CoM and the PABiH. However, a formal submission of the budget proposal for an adoption is a responsibility of the Presidency – a distinctive feature of the BiH budgetary system.

This constitutional arrangement ensures balance and equality in the decision-making process. While the MFTBiH prepares the proposal in line with the requests of budget users and the established guidelines, the Presidency performs the final formal step. This reflects the particular institutional and political structure of the BiH, safeguarding equal representation of the constituent peoples – a cornerstone for legitimacy and stability in fiscal decision-making. Through this model,²² a balance is achieved and equal representation of the constituent peoples is ensured, which is of utmost importance for the stability and legitimacy of key decision-making processes, including budget adoption.

The process of budget preparation and drafting encompasses fiscal stability monitoring, the control of long-term obligations, and the establishment of a medium-term expenditure framework and programmatic budget-

²² The BiH budgetary model is based on the country's unique institutional and constitutional structure. The CoM functions as an auxiliary body to the tripartite Presidency of BiH, which consists of representatives of the three constituent peoples. The CoM, and specifically the MFTBiH, prepares and formulates the budget proposal according to the requests of budget users and established guidelines. However, the formal submission of the budget proposal for adoption is a responsibility of the Presidency of the BiH, reflecting the tripartite composition and ensuring equal representation of the constituent peoples. Once submitted, the proposal enters the Parliamentary Assembly of BiH, comprising the House of Representatives and the House of Peoples. Certain decisions, including budget adoption, require "entity voting" (entitetsko glasanje), a mechanism designed to guarantee that both entities—the Federation of BiH and the Republika Srpska—approve key legislation on an equal basis. In practice, this requires a minimum level of affirmative votes from representatives of each entity, preventing domination by one entity and maintaining the consociational balance of the state. The system integrates constitutional guarantees, executive preparation, tripartite representation, and inter-entity consensus, ensuring both stability and legitimacy in fiscal decision-making across multiple levels of government.

ing. The FCBiH plays a key role in coordinating fiscal policy and ensuring fiscal stability. By May each year, it adopts the Global Fiscal Framework (hereinafter: the GFF) – a document, which provides an instrument for maintaining fiscal discipline during the budget preparation phase.

The medium-term expenditure framework is operationalized through the Medium-Term Budget Framework Document (hereinafter: the MTBF). It covers current and following two years. The document integrates macroeconomic projections and serves as the basis for the annual budget, supporting both transparency and medium-term planning. By providing budget beneficiaries with clear information about changes in financing, it also strengthens the efficiency of budget execution²³. The MTBF also provides the foundation for a capital investment planning and serves as a dynamic instrument of a macroeconomic and fiscal management.

The primary normative framework governing this complex process is the LFIBiH. Supplementary legislation includes: (1) the Law on the FCBiH; (2) the annual Law on the Budget of the Institutions of the BiH and the BiH's International Obligations²⁴; (3) the Rulebook on Financial Reporting for the BiH Institutions²⁵; and (4) the Rulebook on Accounting Policies and Procedures for Budget Beneficiaries²⁶. Collectively, these legal acts ensure proper accounting, reporting, and transparency.

The financial reporting rules prescribe a format, content, and deadlines for a preparation of periodic and annual financial reports, as well as instructions for their compilation²⁷. These obligations apply to the institutions of the BiH which are registered in the Register of Budget Beneficiaries, in accordance with the Law on Financing the Institutions of the BiH.

²³ G. Milošević, B. Vasiljević Poljasević, M. Kulić, *Financial Law ...* p. 418–421.

²⁴ Law on the Budget of the Institutions of BiH and BiH's International Obligations for 2024 of 23 July 2024, *Službeni glasnik Bosne i Hercegovine*, [Official Gazette of the Bosnia and Herzegovina] of 2024, Br. [No] 50.

²⁵ *Rulebook on Financial Reporting of the Institutions of the BiH*, of 2 April 2015, SGRS of 2015, Br. 15 with subsequent amendments.

²⁶ *Rulebook on Accounting with Accounting Policies and Procedures for Budget Users of the Institutions of the BiH*, No. 01-08-02-1-1515-1/15, dated 4 February 2015. The Rulebook is available at <https://mft.gov.ba/Content/Read/podzakonski-akti>

²⁷ More on these rules, see article 8. And 22. the *Rulebook on Financial Reporting of the Institutions of the BiH*.

The Rulebook on Accounting Policies and Procedures sets standards for bookkeeping, the chart of accounts, and financial statement reconciliation, in line with International Accounting Standards (IAS/IFRS) and the Integrated Financial Management Information System. Budget classifications, namely organizational, economic, functional, programmatic, and project-based—allow for detailed management of public resources. Functional classification follows the COFOG system, ensuring transparency and comparability across the ten major sectors of government activities.

2.2. Budget procedure and calendar of the institutions of BiH

A preparation and adoption of state-level budget follow a legally defined and multi-stage procedure. The procedure is regulated by the LFIBiH. The process ensures transparency, fiscal discipline, and continuity in financing of the BiH institutions. The MFTBiH plays the central role in preparing and executing the budget, managing the Treasury Single Account, and coordinating all related activities through secondary legislation.

Budget planning is based on the MTBF, which incorporates macroeconomic and fiscal projections for three years. By the end of January, the MFTBiH issues detailed instructions and a budget calendar to budget users. The Directorate for Economic Planning and the Macroeconomic Analysis Unit provide macroeconomic and indirect tax projections by March and mid-April. The MFTBiH issues expenditure ceilings and guidelines by 1 July, while budget users must submit their requests by 1 August. The aforementioned request must be accompanied by analyses and cost estimates. Following consultations, the Ministry compiles the draft budget and submits it to the CoM by 1 October.

In accordance with Article 5a of the LFIBiH, the Directorate for Economic Planning and the Macroeconomic Analysis Unit of the Indirect Taxation Authority are required to provide macroeconomic projections and estimates of indirect tax revenues by March and mid-April, respectively. Article 6 obliges the MFTBiH to issue budget instructions by 1 July. These instructions include expenditure ceilings and detailed classi-

fication guidelines for budgetary beneficiaries. If the CoM fails to adopt the MTBF within the prescribed timeframe, the Ministry issues instructions based on the current plan and fiscal parameters. Should the FCBiH not approve the MTBF, expenditure ceilings default to the same level as in the previous fiscal year. According to the constitutional sequence, the CoM forwards the draft to the Presidency by 15 October, and the Presidency submits the final proposal to the PABiH by 1 November. The Parliamentary Assembly must adopt the Budget Law by 31 December. If adoption is delayed, a temporary financing regime applies. This temporary solution allows to spend up to one-quarter of the previous year's budget until the new law is enacted. During this period, only ongoing projects and essential obligations may continue.

A budget calendar formalizes this timeline, ensuring predictability and compliance with legal requirements. Preparations begin early in the year. They start with fiscal analyses and setting priorities. This process is followed by budget drafting and legislative approval in the final quarter. This structure secures timely financing of institutions and enables strategic fiscal management.

A detailed overview of the specific deadlines within the budget calendar is provided in the illustration below, which chronologically depicts the key stages and their prescribed timelines.

Table 1. Budget Calendar of the Institutions of BiH.

Activity	Responsible Body	Deadline
Issuance of instructions to budget users	The MFTBiH	31 Jan
Submission of macroeconomic projections	Directorate for Economic Planning	31 Mar
Submission of indirect tax revenue projections	Macroeconomic Analysis Unit	15 Apr
Submission of budget priorities (next 3 years)	Budget users	15 Apr
Draft of the MTBF preparation	The MFTBiH	28 Apr

The MTBF submission to the CoM	The MFTBiH	15 Jun
Instructions for budget request preparation	The MFTBiH	1 Jul
The MTBF adoption	The CoM	30 Jun
Submission of financing requests	Budget users	1 Aug
Draft budget to the CoM	The MFTBiH	1 Oct
Draft budget to the Presidency	The CoM	15 Oct
Budget proposal to the PABiH	The Presidency	1 Nov
Budget adoption	The PABiH	31 Dec

Source: G. Milošević, B. Vasiljević Poljašević, M. Kulić, *Financial law...*, p. 418.

A budget calendar ensures a structured and predictable framework, enabling each stage of the budget process to be completed within legal deadlines and securing financial governance and accountability.

Once the Budget Law is adopted, promulgated, and published in the Official Gazette of BiH, it enters into force and the execution phase begins. Governed by the MFTBiH, this phase covers both the allocation of funds according to the budget plan and the settlement of specific obligations, including debt servicing and legally mandated payments. The MFTBiH notifies all budgetary units about approved appropriations and disbursement schedules. Execution is carried out through the Treasury Single Account, based on quarterly authorizations and cash flow plans that record all inflows and outflows in the Treasury General Ledger. Budgetary beneficiaries submit monthly expenditure plans and reports. These documents require the MFTBiH's approval, and failure to comply with the established rules and procedures may result in the suspension of a payment, imposed by the CoM.

All commitments must comply with approved budget lines and be executed exclusively via the Treasury system. Over-commitment without the MFTBiH's consent is prohibited. Revenues are collected through the

Indirect Taxation System²⁸, and unused appropriations²⁹ lapse by 31 January of the following year, except for multi-year or donor-funded projects. External debt servicing continues independently through dedicated Central Bank of the BiH accounts.

In case of revenue shortfalls or extraordinary expenditures, the MFTBiH may rebalance the budget through spending cuts or new revenue sources. This is done by a submission of amendments to the Parliamentary Assembly of the BiH (the PABiH). Expenditure priority is given to debt servicing, salaries, undisputed obligations, and international transfers. A contingency fund, limited to 3% of the total budget (excluding debt service)³⁰, finances urgent expenditures, newly established institutions, and unforeseen obligations. The CoM may reallocate funds from dissolved or reorganized budget users through this fund.

Transparency and accountability are fundamental budgetary principles. Heads of institutions must submit an annual Statement of Responsibility. The statement confirms lawful and efficient use of fund and effective internal controls. The MFTBiH oversees compliance with the approved budget and may reject requests inconsistent with it. Surplus or unspent funds are transferred to the contingency fund or the are reallocated by the CoM.

The budget cycle concludes with the Annual Budget Execution Report. The Report is submitted by each institution within 60 days after the fiscal year's end³¹. The MFTBiH consolidates these reports into a single report for the CoM, the Presidency, and, within 180 days, the PABiH. This report includes data on revenues, expenditures, assets, liabilities, debt, contingency use, and corrective measures.

²⁸ Revenues received after the end of the fiscal year, but no later than February 1 of the following year, are considered revenues of the preceding fiscal year.

²⁹ An appropriation is a legal authorization in the budget allowing beneficiaries to incur obligations for approved purposes, such as goods, services, or works within the limits set by the PABiH for the fiscal year.

³⁰ Unlike the reserve amount in the budget of the RS, which is capped at a maximum of 2.5%, at the level of BiH it is stipulated that the current reserve cannot exceed 3% of budgetary resources, excluding amounts allocated for debt servicing and repayment.

³¹ In the event that a budgetary institution fails to submit its annual financial report within 60 days, the MFTBiH possesses the discretionary authority to temporarily suspend the approval of expenditures until the annual report is duly received.

This structured framework ensures orderly budget execution, fiscal discipline, and accountability, forming the foundation of financial governance in the BiH.

2.3. Legal framework for the preparation, adoption and execution of the budget of the RS

A normative, institutional, and financial framework of the budget system in the Republic of Srpska is established by the Law on the Budget System of the RS. This norm defines core components of the system, namely, the Budget of the Republic, budgets of local self-government units (municipalities and cities), and budgets or financial plans of social security funds³². The law also regulates all stages of the budget process, including planning, preparation, adoption, execution, accounting, and control, and it determines the powers and responsibilities of the institutions involved in the process.

Budget preparation, similar to the state level, is based on the MTBF, which provides macroeconomic projections and three-year forecasts of revenues and expenditures. The Ministry of Finance of the RS (hereinafter: the MoFRS) prescribes budget classifications and documentation standards through subordinate legislation.

In addition to the Law on the Budgetary System, key legislative instruments include: the annual Budget Execution Law, the Law on the Treasury³³, the Law on Accounting and Auditing³⁴, the Law on Borrow-

³² This Law governs the budgetary system of the RS, encompassing preparation, planning, formulation, adoption, and execution of the budgets of the RS, its municipalities, cities, and public funds. It further regulates borrowing and debt repayment, accounting, financial reporting, and the oversight of budgets at the level of the Republic, local government units, and public funds. The public funds subject to this Law include the PIO, the Health Insurance Fund of the RS, the Public Fund for Child Protection of the RS, and the Employment Service of the RS.

³³ Law on the Treasury of 4 April 2013, SGRS of 2013 Br. 28 with subsequent amendments.

³⁴ Law on Accounting and Auditing of the RS of 16 November 2015, SGRS of 2015 Br. 94 with subsequent amendments.

ing, Debt, and Guarantees of the RS³⁵, budget rebalance decisions (if any), and multiple regulations and by-laws concerning budget classification, accounting policies, financial reporting, and the application of International Accounting Standards (IAS/IFRS), which are international public sector accounting standards³⁶. Together, they ensure transparency, efficiency, accountability, and compliance with international practices. Since many of regulations mentioned in this paragraph have been analysed in the above, this section focuses on the Rulebook on Accounting, Accounting Policies, and Estimates for Budget Beneficiaries and the Rulebook on the Form and Content of the Budget and Budget Execution Report.

The Regulation on Accounting, Accounting Policies, and Estimates forms the foundation of public sector accounting in the RS. The law is based on three laws: the Law on Accounting and Auditing, the Law on the Treasury, and the Law on the Budget System. Treasury management is central to this framework. The management is structured through the main treasury ledger, organized within the Single Treasury Account system, which centralizes all public revenues and expenditures, both regular and earmarked. Budgetary users, including republic institutions, municipalities, cities, and public funds are classified by their degree of treasury integration: fully integrated, partially integrated, or those outside the treasury system. Regardless of a category to which they belong to, all of them apply fund-based accounting, using standardized classifications and the chart of accounts.

Budget classification provides a multi-dimensional framework to organize revenues and expenditures by source, purpose, and responsibility.

³⁵ Law on Borrowing, Debt, and Guarantees of the RS of 27 February 2012, SGRS of 2012 No 71 with subsequent amendments.

³⁶ *Rulebook on Budget Classifications, Account Contents, and Application of the Chart of Accounts for Budget Beneficiaries* of 1 December 2016, SGRS of 2016, No 98 with subsequent amendments; *Rulebook on Accounting, Accounting Policies, and Accounting Estimates for Budget Beneficiaries* of 23 December 2017, SGRS of 2017 Br. 115 with subsequent amendments; *Rulebook on Financial Reporting of Budget Beneficiaries* of 23 December 2017, SGRS of 2017 Br 115 with subsequent amendments; *Rulebook on the Form and Content of the Budget and the Report on Budget Execution* of 9 December 2021, SGRS of 2021 Br. 111; *Rulebook on the System of Tax Accounting in the RS* of 19 December 2016, SGRS of 2016, Br 109, etc.

Mandatory classifications include fund, organizational, economic, and functional codes, which are complemented by sub-economic and project codes. Optional classifications, such as program, project-programmatic, institutional, and gender-responsive provide additional granularity for detailed analysis and enhance transparency. These standards ensure accountability and enable alignment with modern budgeting practices, including program-based and gender-responsive budgeting.

Fund classification distinguishes financial flows by origin and purpose. Fund 01 represents the general fund for core budget activities; Fund 02 covers earmarked revenues, Fund 03 grants, Fund 04 privatization and succession proceeds, and Fund 05 special projects. The public sector chart of accounts contains ten classes. The ten classes in the public sector chart of accounts encompass assets, liabilities, equity, revenues, expenditures, and financing flows. They serve to support both budgetary and financial reporting. Financial reporting consolidation is conducted on a line-by-line basis, aggregating financial statements of all budgetary users under a single authority. During this process, internal transactions are eliminated to prevent double counting. Consolidation also includes a proportional share of net assets from public entities controlled by the Government, if these entities are not formally classified as budgetary users. Monthly, quarterly, and annual consolidated financial reports are prepared by the MoFRS and local financial services. These reports are combined in an annual report, serving as the principal instrument of fiscal oversight and public accountability.

The Regulation on Financial Reporting for Budget Users prescribes a form and a content of both budget documents and execution reports for all levels of government and social funds³⁷. Budgets include all standard classifications, general provisions, tables of revenues and expenditures, financing accounts, and detailed breakdowns by budgetary beneficiaries and funding source. Execution reports, prepared quarterly, semi-annually, and annually, provide data for Funds 01–05 and entities outside the main treasury ledger. These reports contain information on realized revenues and expenditures, deviations from the plan, reallocations, investments,

³⁷ Article 3 of the *Rulebook on Financial Reporting of Budget Beneficiaries ...*

borrowing, and treasury balances. At the same time, reports offer a comprehensive picture of fiscal and macroeconomic trends.

This integrated legal and procedural framework ensures accuracy in budgeting, reliability of control mechanisms, transparency in public spending, and accountability across all levels of government in the Republic of Srpska. Through a consistent application of treasury principles, standardized classifications, and international accounting standards, the RS budget system supports strategic fiscal management and long-term financial stability.

2.4. Budget procedure and calendar in the RS

The budgetary procedure of the RS is a formal process of planning, preparation, adoption, and execution of the budget under the Law on the Budgetary System. It is designed to ensure efficient, transparent, and accountable management of public finances. The MoFRS coordinates all phases, issuing normative acts regulating budget structure, reporting, classification, account plans, debt management, as well as borrowing under the Law on Borrowing, Debt, and Guarantees.

Budget preparation is structured and it involves medium-term planning, priority setting, and alignment of public policies with available resources. The process emphasizes fiscal discipline and transparency, particularly in the context of integration with the EU. Central to planning is the MTBF or Budget Framework Document (hereinafter: the BFD), prepared by the MoFRS and adopted by the Government. The BFD, covering three years, includes macroeconomic projections, fiscal strategy, revenue and expenditure forecasts, deficit/surplus estimates, public investment plans, debt levels, and budgetary priorities. It sets binding expenditure ceilings for budgetary users.

The budget process begins with an analysis of the previous year's execution to identify strengths, weaknesses, and adjustments needed, considering demographic, epidemiological, and political factors. Budgetary users define strategic objectives and medium-term priorities by submitting proposals to the MoFRS by 30 April. These proposals are reconciled with

fiscal capabilities, and the Ministry prepares the BFD for the Government adoption by 30 June.

Budget instructions are issued in two stages: 15 February for the BFD preparation methodology, and 1 July for detailed procedures on three-year budget requests and expenditure ceilings. Budget users – from central institutions to local authorities – submit requests, which are reviewed and negotiated with the Ministry. The draft of budget is then submitted to the Government, reviewed by parliamentary committees, and ultimately adopted by the NARS. The Parliament may propose amendments, incorporated by the Government before final approval.

The budget should be adopted by 15 December. It comes into force on 1 January of the following year. If the budget is not adopted, a Decision on Temporary Financing applies from 1 January until adoption of budget or until 30 June. The Decision limits funds to one-quarter of previous year's budget, distributed quarterly according to past expenditure patterns. Legal amendments do allow local assemblies to adopt municipal or city budgets if executive authorities fail to submit proposals by March 31. This provision ensures continuity in local fiscal management.

Recent legal amendments allow local assemblies to adopt municipal or city budgets, if executive authorities fail to submit proposals by 31 March, thereby strengthening institutional accountability and ensuring uninterrupted local fiscal management, even in cases of executive inaction.

The budget of the RS is prepared and adopted according to a detailed budget calendar, which defines deadlines and activities for all relevant institutions. The process begins with the MoFRS issuing instructions for the preparation of the BFD by 15 February. By 30 April, budgetary users submit their priority proposals for the BFD, which the Government adopts by 30 June. On 1 July, the MoFRS provides the BFD to municipalities, cities, and public funds, and simultaneously issues guidelines for drafting the next fiscal year's budget. Budget requests from users are submitted by 1 September, and by 15 October the MoFRS presents the draft budget to the Government. The Government finalizes and forwards the draft to the National Assembly by 5 November, which deliberates on it by 15 No-

vember. The Government then submits the budget proposal by 1 December, and the NARS adopts it by 15 December.

Municipal and city budgets follow a similar calendar aligned with the Republic level. By 5 July, local authorities analyze the BFD, with drafting instructions issued by 20 July. Budget requests are submitted by 15 September, drafts are prepared by 15 October, and they are approved by executives before submitting them to the MoFRS. Local assemblies deliberate by 15 November, and final proposals are adopted by 15 December. Approved budgets are reported to the MoFRS.

This structured calendar ensures timely planning, coordination, and transparency in public financial management at both the Republic and local levels.

The budget calendar for the preparation and adoption of the RS budget is presented in the table below³⁸.

Table 2. Budget calendar in the RS.

Activity	Responsible Body	Deadline
Issue instructions for the BFD preparation	the MoFRS	15 Feb
Submit priority the BFD proposals	Budgetary Users	30 Apr
Adopt the BFD	The Government of RS	30 Jun
Deliver the BFD to municipalities, cities, funds	the MoFRS	1 Jul
Issue instructions for draft budget preparation	the MoFRS	1 Jul
Submit budget requests	Budgetary Users	1 Sep
Submit draft Republic budget to the Government	MoFRS	15 Oct
Finalize draft budget & submit to the NARS	The Government	15 Nov
Deliberate draft budget	the NARS	15 Nov

³⁸ As indicated in the paper, the timelines are established slightly earlier in the case of budget preparation for local government units and funds.

Submit the budget proposal to the NARS	The Government	1 Dec
Adopt the budget for next fiscal year	the NARS	15 Dec

Source: Own analysis based on Article 21 of the Law on the Budgetary System of the RS

Overall, the budget process in the RS follows a detailed calendar linking macroeconomic projections, fiscal policy, and institutional coordination with the MoFRS central role in preparation, coordination, and implementation of the annual budget. These measures ensure timely and transparent public financial management.

3. Conclusion

The budgetary system of the BiH is characterized by a highly decentralized structure, lacking mechanisms for automatic or hierarchical financial support between different levels of a government. Unlike in many other countries, central budget does not provide transfers or compensations to entities or local communities facing fiscal shortfalls. Consequently, each level of a government must secure necessary resources independently. This highlights an importance of fiscal autonomy and the self-sustainability of the budgetary system.

A detailed comparative analysis of budgetary procedures in the RS and the Institutions of the BiH reveals several key differences. The RS budgetary system is governed by the Law on the Budgetary System of the RS and other specific laws, with the MoFRS central role in coordinating the process, issuing secondary legislation, and overseeing budget execution. In contrast, the budget of the BiH institutions operates within a complex, multi-level institutional framework coordinated by the MoFTBiH in collaboration with the COM, the Directorate for Economic Planning, and the Indirect Taxation Authority. This distinction illustrates that the RS has a simpler, centralized system, whereas the BiH institutions rely on an inter-institutional coordination.

Medium-term budgetary documents further reflect these different approaches. The RS employs the BFD which sets clear expenditure ceilings and strategic priorities, whereas the BiH uses the MTBF which depends on macroeconomic projections and indirect tax revenues. The budgetary calendar in the RS is strict and detailed, while in the BiH it is more flexible, and in the absence of an adopted MTBF, previous fiscal parameters are applied. Similar differences are observed in temporary financing, budget oversight, and the role of local authorities, underscoring the institutional complexity of the BiH.

Fiscal and budgetary policy is coordinated through the Fiscal Council(s), which sets primary fiscal targets and ensures realistic revenue projections for the BiH institutions. The budget of the BiH institutions primarily covers state-level functions, including defense, foreign affairs, and administration, while the majority of government functions and public expenditures, such as policing, education, judicial system, and social spending are constitutionally assigned to the both entities, the RS and the FBiH. This structure demonstrates that decentralization and entity autonomy directly influence the functionality, efficiency, and accountability of public finances.

Within the framework of public finance reforms, both the RS and the BiH are committed to a continuous implementation of program and capital budgeting, as well as the planning, coordination, and execution of interconnected reform activities. The focus of these reforms is shifting from input-based to results-based budgeting, expanding budget coverage, improving program budgeting, enhancing public investment management, and strengthening institutional capacities.

In this context, the author of this study (which has aimed at enhancing the functionality and sustainability of the BiH budgetary system) proposes strengthening budgetary discussions and decision-making processes. These improvements are expected to reduce public administration costs and to increase resources available for the country's key priorities, including social protection, veterans' programs, and infrastructure. To consolidate the initial benefits of programmatic and capital budgeting, reforms must be pursued across multiple dimensions. This includes promoting training

and advocacy among all relevant stakeholders and ensuring that legislative amendments are carefully drafted and adopted in a timely manner. It also fosters the use of performance information related to budget execution and public programs in governmental and parliamentary decision-making. Equally important is a clear definition of operational objectives for each budgetary user. This definition should be adopted in accordance with official policy frameworks, a professional development and an expansion of staff within budget departments to support reform implementation, and a limitation of expenditures in line with approved budget requests. Additionally, formalizing programmatic and capital budgeting at all levels and preparing for adjustments in internal and external controls, including financial oversight and accounting standards, are essential in achieving a more effective and accountable budgetary system.

This conclusion demonstrates that, despite institutional complexity and decentralization, both budgetary systems operate within clearly defined procedures. Their analysis provides valuable guidance for improving coordination, accountability, and the effective management of public finances in the BiH.

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