I. GENERAL PROVISIONS

CONTENT AND AREA OF APPLICATION OF THIS ACT

Article 1

This Act shall govern the planning, drafting, adoption and execution of the budget, asset and debt management, public debt management, borrowing and issuance of guarantees by the State and by local and regional governments, budgetary relationships in the public sector, accounting, budget oversight and other matters related to public finance management.

Article 2

(1) The provisions of this Act shall relate to the state budget and budgets of local and regional governments (hereinafter: budget) and the users of the state budget and budgets of local and regional governments (hereinafter: budget users).

(2) Certain provisions of this Act shall regulate budgetary relationships and rules applicable to extra-budgetary funds, companies and other legal persons where the Government or a local and regional government exercises a decisive influence over their management, specifically over their preparation of financial plans, funds management, borrowing and issuance of guarantees, accounting, drafting and submission of reports and conduct of budget oversight, and which are, due to their sources of funding, classified to the general budget or, in keeping with the rules of the European Union’s statistical methodology (ESA 2010, laid down in the Regulation (EU) 549/2013 of the European Parliament and of the Council) classified to the general government sector, but which are not budget users themselves (hereinafter: extra-budgetary users).

(3) The Minister of Finance shall, by means of an ordinance, specify budget users and extra-budgetary users of the state budget and budget users and extra-budgetary users of local and regional government budgets, as well as the manner of maintaining a register of budget and extra-budgetary users.

DEFINITIONS

Article 3

For the purpose of this Act, the following terms shall have the following meanings:

1. AFCOS denotes a system co-ordinating the legislative, administrative and operational activities aimed at protecting the financial interests of the European Union and direct co-operation with the European Anti-Fraud Office (OLAF),

2. an activity is a part of a programme whose duration is not pre-defined and for which expenditure and outlays have been budgeted to attain the objectives set out in such programme,

3. planning documents means projects, plans, programmes, strategies and similar,
4. grants payable shall mean current or capital transfers to non-profit organisations, individuals and households, including grants in kind, which are payable from a budget or by a budget user for a specific purpose,

4. the Republic of Croatia’s contribution to the budget of the European Union based on EU’s own resources means that part of total revenues of the European Union’s budget which is paid by the Republic of Croatia,

5. the state budget means a document estimating the state’s revenues and receipts and determining its expenditure and outlays for a given year, in compliance with law, which is adopted by the Croatian Parliament (hereinafter: the Parliament),

6. the State Treasury means a system which consolidates, in terms of organisation and information, the budgetary processes: budget preparation, budget execution, state accounting, funds management and public debt management,

7. a state guarantee means a security instrument whereby the Republic of Croatia guarantees the fulfilment of the obligation that the guarantee has been issued for,

8. state debt means the central budget debt,

9. state aids mean actual and potential expenditure or reduced state revenues granted by a state aid provider to a state aid beneficiary which disrupt, or may disrupt, market competition by affording such state aid beneficiary an advantage in the marketplace, irrespective of the type of state aid, to the extent this may influence the fulfilment by the Republic of Croatia of its international obligations,

10. economic classification means a presentation of revenues and receipts by their nature and of expenditure and outlays by the economic purpose they serve, classified into classes, groups, sub-groups, sections and basic accounts,

11. financial assets means cash, receivables, shares of and, equity interests in, legal persons, securities and other investments in legal persons,

12. a financial plan is a document of a budget user or extra-budgetary user setting out its revenues and receipts and expenditure and outlays in accordance with budgetary classifications,

13. financial reporting is a set of information on the financial position, performance and cash flows of the budget, budget users and extra-budgetary users,

14. functional classification is a representation of expenditure of the budget, of budget users and of extra-budgetary users classified by purpose,

15. investments or capital expenditure means investments made to increase and preserve asset value, investments in land, buildings, equipment and other long-term tangible and intangible assets, including investments in education and training, new technology development, improvements to quality of life and other investments generating benefits,

16. extra-budgetary users means extra-budgetary funds, companies and other legal persons where the state or a local and regional government exercises a decisive influence over their management and which are classified to the general government sector under the rules of the European System of Accounts (ESA 2010, laid down in the Regulation (EU) 549/2013 of the European Parliament and of the Council), but which are not budget users,

17. an extra-budgetary fund means an extra-budgetary user which is a legal person established under law that is funded by earmarked contributions and other revenues,

18. sources of funding means groups of revenues and receipts out of which expenditure and outlays of a specific type and purpose are settled,
19. an executive body means the Government of the Republic of Croatia (hereinafter: the Government) and the executive body of a municipality, the City of Zagreb, a city or a county (hereinafter: executive body) which proposes the budget and submits the semi-annual and annual budget execution reports to its representative body,

20. public debt means the debt of the general budget,

21. the public sector shall comprise of the state budget, local and regional governments, budget users and extra-budgetary users of the state budget and budgets of local and regional governments,

22. local and regional government means a municipality, city and county whose bodies perform functions, carry out tasks and adopt programmes prescribed by law and decisions taken under law, the funding for which is secured in its budget,

23. consolidation means a presentation of financial information of multiple interconnected budgets and/or budget users and extra-budgetary users as belonging to a single entity,

24. classification by location means a presentation of expenditure and outlays by territorially defined wholes in accordance with the organisation of the Republic of Croatia, the European Union and other states,

25. a monthly financial plan of a budget user means a monthly presentation of expenditure and outlays by economic, organisational and programme classification containing planned values by source of funding with expected due date,

26. local self-government means local boards, city blocks and city districts which are established under a local government’s statute,

27. benefit encompass pensions and benefits payable to individuals and households under specific regulations,

28. non-financial assets means non-produced and produced assets,

29. an accountable person means the head of a budget user or extra-budgetary user, municipal mayor, city mayor and county prefect and any person to which such authority has been conferred by the former’s decision,

30. the general budget means the central budget and budgets of local and regional governments and extra-budgetary users of local and regional governments,

31. organisational classification means the presentation, by way of headings, chapters and budget users, of connected and mutually co-ordinated entities (hierarchically in terms of relationship of entitlements and responsibilities) within a budget and budget users which achieve established objectives by utilising appropriate resources,

32. a developmental program plan means a document created by a local and regional government for a period of three years and containing the objectives and priorities of development of such local and regional government linked with the organisational and programme classification of the budget,

33. aid means current or capital transfers to international organisations, foreign governments, budgets, extra-budgetary users, banks and other financial institutions and companies,

34. European Union funds means the funds received by the Republic of Croatia by way of European Union’s pre-accession programmes and funds,

35. a legal person under the majority ownership or co-ownership of the Republic of Croatia means a legal person in which the Republic of Croatia holds shares or an equity interest and over whose management it exercises a decisive influence or in respect of which the Republic of Croatia has founder’s and ownership rights,
36. A legal person under the majority ownership or co-ownership of a local and regional government means a legal person in which such local and regional government holds shares or an equity interest and over whose management it exercises a decisive influence or in respect of which such local and regional government has founder’s and ownership rights.

37. A representative body means the Croatian Parliament, county assembly, the Assembly of the City of Zagreb and municipal and town council (hereinafter: Parliament and representative body) which adopts the budget, the law and decision on budget execution, annual and semi-annual reports on budget execution.

38. Special purpose revenues means revenues whose utilisation and purpose are established by specific regulations.

39. Recipients of funds means legal and natural persons that receive budget funds under specific regulations, court decisions and contracts.

40. Donations receivable means earmarked funds received by the budget and budget users from natural persons, non-profit organisations, companies and other entities outside the general budget.

41. Aid receivable means current and/or capital transfers received by budgets and budget users from foreign governments, international organisations or other entities within the general budget.

42. A programme means a set of autonomous, closely related activities and projects aiming at meeting a common objective.

43. Programme classification means the presentation of programmes and their component parts, activities and projects as defined in keeping with planning documents and objectives and tasks of the budget, budget users and extra-budgetary users.

44. Budget projection (hereinafter: projection) means an estimate of budget revenues and receipts and expenditure and outlays over a multiannual period adopted by the Parliament or representative body.

45. A project means a component part of a programme with a pre-determined duration and planned expenditure and outlays for the achievement of programme objectives.

46. The local and regional government budget means a document estimating the revenues and receipts and determining expenditure and outlays of such local and regional government for a given year, in compliance with law and a decision passed in compliance with law, which is adopted by its representative body.

47. Budget classification means a framework stating and systematically monitoring revenues and receipts and expenditure and outlays by responsible body, objective, purpose, type, location and source of funding.

48. A budgetary fund means a budget user established by the day this Act enters into force which is funded from the budget and earmarked revenues of such fund.

49. Budget users means state bodies, institutions, minority self-government councils, budgetary funds and local self-government boards whose personnel and material expenditure is secured in the budget.

50. Budget oversight means inspection audits of the legality, purposefulness and timeliness of utilisation of budget funds, of the timeliness and completeness of collection of revenues and receipts within the purview of budget users and local and regional government bodies and inspection audits of compliance with, and application of, laws and other regulations, which
bear upon budget funds and funds from other sources, be it revenues/receipts, expenditure/outlays, refunds, assets and liabilities,

51. budget accounting means an accounting system related to book-keeping monitoring, analysis and reporting on transactions in the budget and those of budget users and extra-budgetary users,

52. country-specific recommendations of the Council of the European Union means economic policy measures a European Union member state is supposed to undertake with the aim of achieving sustainable economic growth,

53. financing account means that part of a budget which states how a budget deficit is financed and how a budget surplus is utilised,

54. a register of budget users and extra-budgetary users is a list of budget users and extra-budgetary users of the state budget and budget users and extra-budgetary users of budgets of local and regional governments,

55. the central budget means the state budget and the financial plans of state budget’s extra-budgetary users,

56. a strategic plan means a document setting out a vision, strategic goals, ways of achieving such goals (planning documents), measures to evaluate performance and a system to monitor performance,

57. subsidies means current transfers of funds to producers for the production of specific products or provision of services, which may be determined on the basis of the level of production and/or quantity of goods and services produced, sold or imported,

58. a municipal, city or county administrative department in charge of finance (hereinafter: administrative department in charge of finance) shall prepare the budget, the annual and semi-annual reports on budget execution and perform other financial tasks for the executive body,

59. borrowing means the taking of a credit, loan or issuance of securities.

BUDGETARY PRINCIPLES

Article 4

The budget shall be adopted and executed in compliance with the principles of budget unity and accuracy, annuality, equilibrium, unit of account, universality, specification, sound financial management and transparency.

Principle of budgetary unity and accuracy

Article 5

(1) All revenues and receipts appertaining to the State and local and regional governments, and all of their expenditure and outlays for specific purposes, shall be presented in the budget by applying the gross principle.

(2) Budget funds shall be used to finance expenditure, functions and programmes of State bodies and bodies of local and regional governments as well as other budget users and extra-budgetary users in the amount determined by the budget.

(3) Proposals for ordinances, other regulations and planning documents (projects, plans, programmes, strategies, policies, etc.) to be adopted by the Government as well as proposals for laws and planning documents to be adopted by the Parliament (hereinafter, laws, other
Principle of annuality

Article 6
(1) The budget shall be adopted for the budget year and shall be valid for that year.
(2) The budget year shall be a twelve-month period commencing on 1 January and closing on 31 December of the calendar year.
(3) Parliament or the local or regional representative body shall adopt the budget for the budget year corresponding to the calendar year prior to the commencement of the year to which it pertains.
(4) Any revenues and receipts paid to the budget before the end of the current year shall be deemed budgetary revenues for the current year.
(5) The budget shall provide for funds to cover any commitments undertaken in the previous year(s), as well as funds to pay any liabilities incurred in the current fiscal year for which the budget is being adopted.

Principle of equilibrium

Article 7
(1) The budget shall be balanced: total revenues and receipts shall cover total expenditure and outlays.
(2) If, during the budget year, expenditure and outlays increase or revenues and receipts decrease as a result of extraordinary unpredicted circumstances, the budget shall be balanced by identifying new revenues and receipts and/or reducing the budgeted expenditure and outlays.
(3) Budget balancing shall be done during the budget year by making budget amendments pursuant to the budget adoption procedure.

Principle of unit of account

Article 8
All revenues, receipts, expenditure and outlays contained in the budget shall be expressed, and all financial statements shall be prepared, in Croatian kuna (HRK).

Principle of universality

Article 9
(1) Revenues and receipts shall be used for the settlement of all expenditure and outlays, unless otherwise provided in this Act, the State Budget Execution Act or the decision on budget execution.
(2) In accordance with Articles 48 and 70 of this Act, earmarked revenues and receipts shall be used for financing specific expenditure and outlays.
Principle of specification

Article 10
(1) Budgetary revenues and receipts shall be arranged in the budget according to economic classification and presented by source.
(2) Budgetary expenditure and outlays shall be arranged in the budget according to budget classifications and balanced with revenues and receipts.

Principle of sound financial management

Article 11
Budgetary funds shall be used in compliance with the principle of sound financial management and, in particular, in keeping with the principles of economy, efficiency and effectiveness.

Principle of transparency

Article 12
(1) The budget shall be adopted and executed in accordance with the principle of transparency.
(2) The budget, budget projections and budget amendments as well as any decision on interim financing shall be published in the Official Journal of the Republic of Croatia (hereinafter: OJ) or the official journal of each local and regional government.
(3) Semi-annual and annual budget execution reports and semi-annual and annual financial plan execution reports by extra-budgetary users shall be posted on the internet site of the Croatian Government or the internet sites of local and regional governments.
(4) The general and special parts of semi-annual and annual reports on budget execution and the general and special parts of semi-annual and annual reports on the execution of financial plans by extra-budgetary users shall be published in the OG or the official journal of each local and regional government.
(5) Local and regional governments and budget users and extra-budgetary users shall post their annual financial statements on their internet sites not later than eight days after the date of their submission.
(6) Budget users and extra-budgetary users not having their own internet sites shall post the financial statements referred to in paragraph (5) of this Article on the internet sites of their responsible institutions at the heading level of state budget organizational classification or their responsible local or regional governments not later than eight days after the date of their submission.

RESPONSIBILITY FOR BUDGET PLANNING AND EXECUTION

Article 13
(1) Each executive body shall be responsible to its representative body for budget planning and execution and shall report to it thereof as specified in this Act.
(2) The accountable person in each local or regional government and each budget user or extra-budgetary user shall be responsible for the lawful and proper planning and execution of the budget or the financial plan.
SCOPE OF BUDGET EXECUTION REGULATIONS FOR THE BUDGET YEAR

Article 14

(1) The State Budget Execution Act shall be adopted together with the State Budget, while the Decision on Budget Execution shall be passed along with the budget of each local and regional government.

(2) The legislation referred to in paragraph (1) of this Article shall govern the structure of budgetary revenues, receipts, expenditure and outlays, budget execution, the volume of debt to be assumed and guarantees to be issued by the State or local and regional governments, public debt management, financial and non-financial asset management, rights and obligations of budgetary fund users, specific powers of the Government, local and regional executive bodies, the Prime Minister, chief officials of local and regional executive bodies, the Ministry of Finance and the Finance Minister in the process of budget execution for a particular year, penalties for failing to meet obligations and other issues related to budget execution.

FISCAL ESTIMATE OF THE IMPACT OF LAWS, OTHER REGULATIONS AND PLANNING DOCUMENTS ON THE BUDGET

Article 15

(1) Proposals for laws, other regulations and planning documents shall contain a fiscal estimate of impact on the budget, which shall clearly show whether budget revenues or expenditure are increasing or decreasing. Each fiscal estimate of impact on the budget shall include:

1. budgetary revenues and expenditure and receipts and outlays planned for the budget year and the following two years;
2. proposals to cover any increase in budgetary expenditure and outlays;
3. proposals to cover any decrease in budgetary revenues and receipts;
4. approval from the Ministry of Finance if proposals for laws, other regulations and planning documents have any fiscal impact on the budget or the opinion of the Ministry of Finance on the claims by the sponsors that their proposals for laws, other regulations and planning documents have no fiscal impact on the budget, in accordance with special regulations.

(2) If any laws, other regulations and planning are adopted during the year, on the basis of which new commitments are created against the budget, the required funding shall be secured in the budget for the next budget year, in accordance with projections and possibilities.

(3) Proposals for laws, other regulations and planning documents shall not contain provisions on earmarking any revenues, unless the Ministry of Finance approves so.

(4) The provisions of this article shall be applied accordingly to extra-budgetary users and local and regional governments.
II. CONTENT OF THE BUDGET AND FINANCIAL PLANS

CONTENT OF THE BUDGET AND THE STRUCTURE OF USER FINANCIAL PLANS

Article 16

(1) The budget shall be composed of a general and a special part and, at the local and regional government level, a developmental programme plan as well.

(2) The general part of each budget shall consist of a Revenue and Expenditure Account and a Financing Account.

(3) The special part of each budget shall consist of revenues and expenditure planned for each budget user, presented by type, and classified under programmes consisting of activities and projects.

(4) The developmental programme plan shall be a document to be prepared by each local and regional government for a three-year period, containing local or regional government developmental goals and priorities linked with the organizational and programme classification of the budget.

Article 17

(1) The financial plan of each budget user shall consist of revenues and receipts and expenditure and outlays classified under programmes consisting of activities and projects.

(2) The financial plan of each extra-budgetary user shall consist of a general part composed of a revenue and expenditure account and a financing account, and a special part presenting revenues, receipts, expenditure and outlays classified under programmes consisting of activities and projects.

REVENUE AND EXPENDITURE ACCOUNT

Article 18

The Budget Revenue and Expenditure Account shall consist of revenues and expenditure presented according to economic classification:

1. Revenues:
   a) tax revenues;
   b) mandatory insurance contributions;
   c) aid transfers;
   d) revenues from assets;
   e) revenues from charges and fees;
   f) other revenues; and
   g) revenues from sale of non-financial assets.

2. Expenditure:
   a) personnel expenditure;
   b) material expenditure;
   c) financial expenditure,
   d) subsidies;
e) aid transfers;
f) insurance-based and other benefits to citizens and households;
g) other expenditure; and
h) expenditure for purchase of non-financial assets.

FINANCING ACCOUNT
Article 19
The Financing Account shall present receipts from financial assets and borrowing and outlays for financial assets and the repayment of credits and loans.

FINANCIAL PLANS OF BUDGET USERS AND EXTRA-BUDGETARY USERS
Article 20
(1) The financial plan of each budget user and extra-budgetary user shall contain programmes defined by planning documents.
(2) Such programmes shall present the planned revenues, receipts, expenditure and outlays itemized by:
– type of revenues and receipts;
– particular activity and project;
– year in which they will be incurred against the budget.
(3) Each programme shall contain:
a) programme title;
b) programme description (including goals and objectives);
c) legal grounds for programme implementation;
d) funding required for programme implementation;
e) number of staff required for programme implementation;
f) assessment of outcomes;
g) assessment of contingent costs and risks.

BUDGET CLASSIFICATION
Article 21
(1) In the budget and financial plan, revenues, receipts, expenditure and outlays shall be presented according to budget classifications.
(2) Budget classifications shall be:
a) organisational;
b) economic;
c) functional;
d) location-based;
e) programme-based;
f) funding source-based.

(3) The minister of finance shall issue an Ordinance on Budget Classifications referred to in paragraph (2) of this Article.

III. BUDGET AND FINANCIAL PLAN PREPARATION

BUDGET PREPARATION REQUIREMENTS

Article 22

(1) The State Budget shall be prepared based on the assessment of economic development and macroeconomic indicators specified in regulations and other documents passed by Parliament, the Government and the Finance Minister in accordance with their scope of work and competence.

(2) The provisions of paragraph (1) of this Article shall apply accordingly to the budgets of local and regional governments.

STRATEGIC PLANNING

Article 23

(1) The Ministry of Finance shall, in cooperation with the ministry in charge of structural reform and coordination of European Union funds, prepare instructions for the preparation of strategic plans for a three-year period and submit them to the ministries and other state bodies at the heading level of organizational classification not later than the end of February of the current year.

(2) The ministries and other state bodies at the heading level of organizational classification shall prepare their strategic plans for a three-year period on the basis of sectoral strategic documents designated for the use of European Union funds and in keeping with the instructions referred to in paragraph (1) of this Article, and submit them to the Ministry of Finance no later than the end of March of the current year.

(3) Such three-year strategic plans shall contain missions, visions, strategic goals, actions to achieve them and their correlation with the organizational and programme classifications, and performance evaluation measures.

(4) The ministries and other state bodies at the heading level of organizational classification shall furnish the Ministry of Finance with semi-annual and annual reports on the implementation of their strategic plans in keeping with the schedule for reporting on state budget execution.

NATIONAL REFORM PROGRAMME AND CONVERGENCE PROGRAMME

Article 24

(1) Relying on strategic plans referred to in Article 23 of this Act, the ministry in charge of structural reform and coordination of European Union funds shall, in cooperation with the ministries in charge of specific structural reforms, prepare the National Reform Programme, and the Ministry of Finance shall prepare the Convergence Programme.

(2) The Convergence Programme shall define the macroeconomic and fiscal framework of the Republic of Croatia for the current year and the next three years.
The Convergence Programme shall contain:

a) an overview of macroeconomic trends;

b) an overview of the mid-term budgetary framework, including general budget and public debt projections;

c) fiscal risks and a sensitivity analysis of general budget deficit/surplus and public debt trends; and

d) the qualitative and institutional characteristics of public finance.

The National Reform Programme shall define a strategic framework for the implementation of structural reforms in the current year and over the next three years.

The National Reform Programme shall contain major elements of the macroeconomic scenario and key reform measures which ensue from the strategic goals set in the strategic plans and which are being taken or are planned to be taken by the State over a mid-term period, all in keeping with the fiscal framework defined by the Convergence Programme.

The Government shall take a decision adopting the National Reform Programme and the Convergence Programme no later than the end of April of the current year.

ECONOMIC AND FISCAL POLICY GUIDELINES

Article 25

(1) Relying on the strategic plans, the National Reform Programmes, the Convergence Programme and the country-specific recommendations of the Council of the European Union for the Republic of Croatia, the Ministry of Finance shall prepare draft economic and fiscal policy guidelines for a three-year period (hereinafter: Guidelines) and the Government shall adopt them by its decision no later than the end of July.

(2) The Guidelines shall contain:

1. macroeconomic policy objectives for a three-year period in accordance with paragraph (1) of this Article;

2. the macroeconomic and fiscal framework of the Republic of Croatia, including any changes in the environment as defined in the Convergence Programme referred to in Article 24 of this Act;

3. the level of planned funding for each institution at the heading level of organizational classification, including the levels of funding planned for the previous budget year and the current budget year, as well as the level of funding planned for the next budget year and the following two years.

(3) the level of funding planned for each institution at the heading level of organizational classification shall include:

a) the level of funding required to implement the existing programmes and/or activities ensuing from the effective legislation; and

b) the level of funding required to introduce and implement new or change the existing programmes and/or activities.

INSTRUCTIONS FOR PREPARATION OF THE DRAFT BUDGET

Article 26

(1) Relying on the Government’s Guidelines referred to in Article 25 of this Act, the Ministry of Finance shall furnish the ministries and other state bodies at the heading level of
organizational classification with instructions for the preparation of the draft State Budget no later than 15 August of the current year.

(2) The instructions referred to in paragraph (1) of this Article shall contain:
1. key economic indicators as set in the Guidelines referred to in Article 25 of this Act; and
2. the methodology and schedule for the preparation of the State Budget.

Article 27

(1) Relying on the Government’s guidelines and instructions for the preparation of the draft State Budget, the Ministry of Finance shall prepare instructions for the preparation of local and regional government budgets and shall deliver them to local and regional governments not later than 15 August of the current year.

(2) Once it receives the instructions referred to in paragraph (1) of this Article, the administrative department in charge of finance shall prepare instructions for the preparation of the local/regional government budget and deliver them to budget users and extra-budgetary users of the local/regional government budget.

(3) The instructions referred to in paragraph (2) of this Article shall contain:
1. key economic sources and assumptions for drafting the local/regional government budget;
2. a description of the planned local/regional governmental policies;
3. an estimate of local/regional government budget revenues/expenditure and receipts/outlays for the next three years,
4. the level of funding planned for each budget user, including the levels of funding planned for the previous budget year and the current budget year, as well as the level of funding planned for the next budget year and the following two years, with a breakdown by:
   a) the level of funding required for the implementation of the existing programmes and/or activities ensuing from the effective legislation; and
   b) the level of funding required to introduce and implement new or change the existing programmes and/or activities;
5. the methodology and schedule for the preparation of budgets and draft financial plans by budget users and extra-budgetary users of the local/regional government budget.

DRAFT FINANCIAL PLANS OF BUDGET USERS

Article 28

(1) Based on the instructions for the preparation of the draft State Budget, budget users of the State Budget draft their financial plans.

(2) Each draft financial plan shall contain:
1. revenues and receipts presented by type;
2. expenditure and outlays planned for a three-year period and presented according to budgetary classifications;
3. an explanation of the draft financial plan.
Article 29
(1) Based on the instructions for the preparation of draft budgets for local and regional governments, budget users at the local and regional government levels draft their financial plans.

(2) Each draft financial plan shall contain:
1. revenues and receipts presented by type;
2. expenditure and outlays planned for a three-year period and presented according to budgetary classifications;
3. an explanation of the draft financial plan.

Article 30
The explanation of each draft financial plan, as specified in Articles 28(2)3 and 29(2)3 of this Act, shall contain:
a) a summary of the budget user's scope of work;
b) explained programmes;
c) legal and other grounds underlying each programme;
d) goals, strategies and programmes aligned with long-term development documents;
e) sources and indicators underlying calculations and estimates of funds required to implement programmes;
f) a report on goals achieved and programme outcomes for the previous year, measured by performance indicators under the purview of the budget user,
f) other explanations and documentation.

Article 31
(1) Budget users of the State Budget shall deliver their draft financial plans to the ministries and other State bodies at the heading level of organizational classification not later than 15 September of the current year.

(2) The ministries and other state bodies referred to in paragraph (1) of this Article shall deliver harmonized draft financial plans to the Ministry of Finance no later than the end of September of the current year.

Article 32
Budget users of local and regional governments shall deliver their draft financial plans to relevant administrative bodies no later than 15 September of the current year.

DEVELOPMENTAL PROGRAMME PLAN
Article 33
(1) Administrative bodies shall, in cooperation with local or regional government administrative bodies in charge of finance as coordinators, and pursuant to strategic documents aimed at the development of their local and regional government units, prepare local or regional developmental programme plans for a three-year period.
(2) In preparing their developmental programme plans, administrative bodies referred to in paragraph (1) of this Article shall include all budget users and extra-budgetary users under their purview.

Article 34

(1) The development programme plan of any local or regional government shall contain goals and priorities for the development of such local or regional government, correlated with the organizational and programme classification of its budget.

(2) The Finance Minister shall, subject to approval from the minister in charge of regional development, issue an ordinance providing for the content and methodology for the preparation of developmental programme plans and a system to monitor the implementation of developmental programmes.

DRAFT FINANCIAL PLANS OF EXTRA-BUDGETARY-USERS

Article 35

(1) Extra-budgetary users of the State Budget shall prepare their draft financial plans pursuant to the instructions specified in Article 26 of this Act.

(2) Extra-budgetary users shall, no later than 15 September, submit their draft financial plans to the competent ministries, which shall then deliver them, together with their own financial plans, to the Ministry of Finance.

(3) The Parliament shall approve the draft financial plans referred to in paragraph (2) of this Article along with the adoption of the State Budget.

Article 36

(1) Extra-budgetary users of local and regional governments shall prepare their draft financial plans pursuant to the instructions referred to in Article 27 of this Act.

(2) Extra-budgetary users of local and regional governments shall submit their draft financial plans to the competent administrative bodies not later than 15 September.

(3) The representative body shall approve the draft financial plans referred to in paragraph (2) of this Article together with the adoption of the local or regional government budget.

IV. BUDGET ADOPTION PROCEDURE

PROPOSING THE BUDGET

Article 37

(1) The Ministry of Finance or the administrative department in charge of finance shall review proposals and reconcile financial plans with estimated revenues and receipts.

(2) The Ministry of Finance or the administrative department in charge of finance shall prepare a draft budget for the budget year and projections for the next two years, and shall submit these to the Government or the local or regional executive body no later than 15 October of the current year.
(3) If, during the debate on the proposed State Budget, any disagreement arises between the Finance Minister and a budget user or a minister responsible for particular budget users, the minister of finance shall prepare a report for the Prime Minister, who shall then make a final decision thereon.

(4) The Government or the local or regional executive body shall set forth a proposal for the budget and projections and shall, not later than 15 November of the current year, submit them to Parliament or the representative body for adoption.

(5) The provisions of paragraph (3) of this Article shall apply accordingly to local and regional governments.

BUDGET DEBATE
Article 38

(1) No amendments to the proposed State Budget and projections shall, if adopted by Parliament, exceed the established amount of the allowed deficit of the State Budget and projections.

(2) During the debate on the proposed State Budget and projections, submitted amendments proposing any increase in budgetary expenditure and outlays beyond the amounts established in the proposed State Budget may be accepted provided that a proposal is also made to decrease other expenditure and outlays in the special part of the budget.

(3) No proposal referred to in paragraph (2) of this Article shall be made against the budgetary reserve or any previously undertaken commitments nor shall it require any additional borrowing.

(4) The provisions of this Article shall apply accordingly to local and regional governments.

ADOPTION OF THE BUDGET AND PROJECTIONS
Article 39

(1) Parliament or the representative body shall, before the end of the current year and, in any case, no later than such time that allows the application of the budget as from 1 January of the year for which it is being passed, adopt the budget at the subgroup level of economic classification for the next budget year and the projections at the group level of economic classification for the following two budget years.

(2) Any budget amendments shall be made by following the procedure for the adoption of the budget and projections.

Article 39a

The deficit established by the budget for the next budget year shall not be higher than that established by the projection adopted by Parliament or the local or regional representative body in the previous year for that budget year.

SUBMISSION OF LOCAL AND REGIONAL GOVERNMENT BUDGETS
Article 40

Municipal mayors, city mayors and county prefects shall submit their local or regional government budgets, budget execution decisions and budget amendments to the Ministry of
Finance in the manner and form set forth in the instructions for the preparation of local and regional government budgets referred to in Article 27 of this Act, within 15 days of their entry into force.

MONTHLY FINANCIAL PLANS OF BUDGET USERS

Article 41

(1) For the purposes of state budget execution, the Ministry of Finance may ask budget users to prepare financial plans by month, for the whole year, in accordance with the State Budget adopted by the Parliament and the planned maturity of liabilities.

(2) Should the Ministry of Finance request the preparation of a financial plan under paragraph (1) of this Article, the latter shall be prepared not later than 15 January of the current year.

(3) In the course of the year, monthly financial plans may be modified to reflect changes in the maturity of liabilities, approved reallocations and amendments to the State Budget.

(4) The provisions of this Article shall apply accordingly to local and regional government budgets and budget users.

INTERIM FINANCING OF THE STATE OR LOCAL AND REGIONAL GOVERNMENTS

Article 42

(1) If Parliament or the representative body fails to adopt the budget before the beginning of the budget year, financing of the tasks, functions and programmes of state bodies, local and regional government bodies and other budget users and extra-budget users shall temporarily continue pursuant to a decision on interim financing, to the amount necessary to ensure their performance and execution as well as the rights of recipients of budgetary funds established by laws and other regulations adopted on the basis thereof (hereinafter: interim financing).

(2) The decision on interim financing shall be made by Parliament or the representative body.

(3) Interim financing within the meaning of paragraph (1) of this Article shall be conducted proportionally to expenditure incurred in the same period of the preceding year, but shall in no case exceed one fourth of total expenditure incurred, net of outlays.

(4) By way of derogation from paragraph (3) of this Article, aid transfers, donations, special-purpose revenues and earmarked receipts as well as borrowing proceeds that have been paid in and transferred and were under-planned or unplanned may be executed above the amount set forth in paragraph (3) of this Article, subject to prior approval from the Ministry of Finance or the local or regional executive body.

(5) Interim financing shall be carried out for a period not longer than the first three months of the budget year.

(6) During the period of interim financing, the same programmes shall be financed and users shall not increase their employment levels as compared to the status as at 31 December of the previous year.

(7) During the period of interim financing, budget users shall not assume any new commitments.

(8) Once the period of interim financing expires, all revenues and receipts generated and all expenditure and outlays incurred during that period shall be included in the budget for the current year.
TEMPORARY BUDGET BALANCING MEASURES AND BUDGET AMENDMENTS

Article 43

(1) If, during the budget year, state budgetary expenditure and/or outlays increase or state budgetary revenues and/or receipts decrease as a result of new commitments incurred against the State Budget or changes in economic trends, the Government may, at the proposal of the Ministry of Finance, suspend the execution of specific expenditure and/or outlays (hereinafter, temporary suspension of execution) for a period of no longer than 45 days. Through its measures for temporary suspension of execution, the Government may:

- halt the making of commitments and/or
- propose the extension of agreed payment terms in line with special regulations and/or
- halt the reallocation of budgetary funds.

(2) In addition to the measures specified in paragraph (1) of this Article, the Government may issue a decision providing that budget users of the State Budget must obtain prior approval from the Ministry of Finance before concluding any contract.

(3) The Ministry of Finance shall, with the participation of ministries and other state bodies at the heading level of organizational classification, prepare proposals for temporary measures to suspend execution. Such measures for temporary suspension of execution shall equally apply to all ministries and other state bodies at the heading level of organizational classification.

(4) The Government shall notify Parliament of any decision made under paragraph (2) of this Article immediately after its adoption.

(5) If the State Budget cannot be balanced during the implementation of measures for temporary suspension of state budget execution, the Government shall, not later than 15 days before the period for temporary suspension of state budget execution expires, propose amendments to the State Budget.

(6) Amendments made to the State Budget under paragraph (5) of this Article shall rebalance its revenues and receipts and its expenditure and outlays.

(7) The provisions of this Article shall apply accordingly to local and regional government budgets.

MAKING COMMITMENTS AGAINST THE BUDGET

Article 44

(1) Budget users of the State Budget may assume commitments against the State Budget for the current year solely for the purposes and to the amounts set forth in their financial plans, provided that all requirements set to this effect by law and other regulations have been met and unless otherwise specified by this Act.

(2) Budget users of the State Budget may assume commitments under contracts requiring payment in the following years, but only subject to approval from the Government and at the proposal of the Finance Minister.

(3) By way of derogation from paragraph (2) of this Article, budget users of the State Budget may, subject to approval from the minister of finance, make commitments under contracts requiring payment in the following years up to the amount of total contractual commitment as laid down in the State Budget Execution Act.

(4) The restrictions referred to in paragraphs (1) and (2) of this Article shall not apply to commitments associated with State borrowing and public debt management or those
undertaken pursuant to international agreements and projects co-financed by European Union funds.

(5) Budget users of the State Budget shall include any payments stemming from commitments made under this Article in their financial plan for the year where such commitment becomes due and payable.

(6) The provisions of this Article shall apply accordingly to local and regional governments.

ASSUMING COMMITMENTS UNDER INVESTMENT PROJECTS

Article 45

(1) Budget users of the State Budget may assume commitments under investment projects only once an expert evaluation and feasibility and efficiency assessment of any such investment project are completed.

(2) The provisions of paragraph (1) of this Article shall apply, as appropriate, to local and regional governments.

(3) The Government shall issue a directive stipulating the methods to assess and the procedures to approve investment projects.

REALLOCATION OF FUNDS

Article 46

(1) Budgetary funds shall not be reallocated, save under the conditions and in the manner stipulated by this Act.

(2) Funds under budgetary line-items may be reallocated within a budget user or between budget users and within an extra-budgetary user to a maximum of 5 percent of expenditure and outlays under the budgetary line-item which has been adopted by Parliament or representative body and which is being reduced, if so approved by the Finance Minister or the municipal mayor, city mayor or county prefect.

(3) By way of derogation from paragraph (2) of this Article, funds may be reallocated up to a maximum of 15 percent if this ensures an increase in national matching funds planned in the budget for projects co-financed by the European Union, if so approved by the minister of finance or the municipal mayor, city mayor or county prefect.

(4) Together with its request for the reallocation of the approved funds, a budget user shall submit relevant documentation allowing the Ministry of Finance or the administrative body in charge of finance to understand the reasons behind the need to have additional funds under the budget item being increased by the end of the year or, as the case may be, the reasons to decrease the approved budget items.

(5) Budgetary funds shall not be reallocated between the Revenue and Expenditure Account and the Financing Account.

(6) The Government or the municipal mayor, city mayor or county prefect shall notify Parliament or the representative body of any such reallocation in the semi-annual and annual budget execution reports.
V BUDGET EXECUTION

REVENUES AND RECEIPTS AND PAYMENTS INTO THE BUDGET

Article 47

(1) Budget users and local and regional governmental bodies shall be responsible for the complete and timely collection of revenues and receipts under their purview, for their payment into the budget and for the execution of all expenditure and outlays in compliance with stated purposes.

(2) Budgetary revenues shall be collected and paid into the budget in compliance with law and other regulations, regardless of the level of revenues planned in the budget.

EARMARKED REVENUES AND RECEIPTS

Article 48

(1) Earmarked revenues and receipts in the budget are aid, donations, special-purpose revenues, receipts from the sale or exchange of assets owned by the State or local and regional governments, insurance-based compensation and earmarked receipts from borrowing and the sale of shares and equity interests.

(2) The revenues and receipts referred to in paragraph (1) of this Article shall be paid into the budget.

(3) State budget execution legislation or the budget execution decision shall dictate exceptions from the obligation to pay the revenues and receipts referred to in paragraph (1) of this Article into the budget.

Article 49

Earmarked revenues and receipts not used in the preceding year shall be carried forward to the budget for the current budget year.

Article 50

(1) If earmarked revenues and receipts are paid in at a level lower than that presented in the state budget, the user may assume and pay liabilities only to the level of actually paid-in, or available funds.

(2) Paid in and transferred aid, donations and special-purpose revenues which have been under-budgeted may be executed above the level established in the state budget and up to the level of paid-in and transferred funds.

(3) Paid-in and transferred earmarked receipts from borrowing which have been under-budgeted may be executed above the amounts established in the budget, up to the level of paid-in and transferred funds, with the prior consent of the Ministry of Finance or the administrative department in charge of finance.

(4) Paid-in and transferred aid, donations, special-purpose revenues and earmarked receipts from borrowing which have not been budgeted may be used for subsequently established activities and/or projects in the budget with the prior consent of the Finance Minister or the administrative department in charge of finance.
(5) The provisions of this Article shall be applied accordingly to extra-budgetary users and local and regional governments.

Article 51
The amount of any funds referred to in Article 48 of this Act spent for than designated purpose shall be deducted from such budget user’s allocation in the year in which such funds spent for other than designate purpose are to be returned.

OWN REVENUES
Article 52
(1) Own revenues shall be revenues which budget users generate from the performance of activities in the market and under market conditions, which are not financed from the budget.
(2) The revenues referred to in paragraph (1) of this Article shall be paid into the budget.
(3) If own revenues are paid in amounts less than the level shown in the state budget, the user may assume and settle liabilities only to the level of actually generated, or available funds.
(4) Paid-in and transferred, but under-planned revenues may be executed above the amount established in the budget, up to the level of paid-in and transferred funds.
(5) Paid-in but unplanned own revenues may be used according to subsequently established activities and/or project, with the prior consent of the Ministry of Finance or the administrative department in charge of finance.
(6) Own revenues not used for the preceding year shall be carried forward to the budget for the current budget year.
(7) The state budget execution legislation or the decision on budget execution shall regulate the exceptions from the obligation to pay the revenues referred to in paragraph (1) of this Article into the budget.
(8) The provisions of this Article shall be applied accordingly to extra-budgetary users and the budget users of local and regional governments.

DISBURSEMENT OF FUNDS FROM THE BUDGET
Article 53
(1) Payment of advances shall only be possible exceptionally, subject to the consent of the Finance Minister or the chief official of the local or regional executive body.
(2) Notwithstanding, a budget user may pay an advance without the consent referred to in paragraph (1) of this Article up to an amount stipulated in state budget execution legislation or budget execution decision and for liabilities assumed under agreements for projects co-financed by funds from the European Union.

Article 54
(1) Each expenditure and outlay from the budget must be based on a valid accounting document which proves the payment obligation.
(2) The accountable person must verify and sign the underlying legal document and the level of liability ensuing from the accounting document prior to payment.
Article 54a
Local and regional governments, budget users and extra-budgetary users shall be obliged to verify the lawful and earmarked use of funds paid in pursuant to special legislation.

Article 55
(1) The budget shall be executed in compliance with available funds and due liabilities.
(2) Payment of the principal and interest on the state debt and state guarantees and contributions of the Republic of Croatia to the budget of the European Union based on the own resources of the European Union may be executed in amounts higher than those planned.
(3) If the activities and projects for which funds secured in the current-year budget are not executed to the level established by the budget, they may be executed at that level in the budget for the subsequent year in the manner and under the conditions stipulated by the state budget execution legislation or the budget execution decision.
(4) The Finance Minister shall issue rules, and the local or regional body shall issue an ordinance to elaborate the methods and conditions for execution of the budget from the budget account.

BUDGETARY RESERVE
Article 56
(1) Funds shall be established in the budget for a budgetary reserve.
(2) The funds of the budgetary reserve shall be used for unforeseen purposes for which no funding has been secured in the budget, or for purposes for which it is ascertained during the course of the year that insufficient funds were established for them because they were impossible to foresee during budget planning.
(3) Budgetary reserve funds shall be used to finance expenditure which emerged during the alleviation of the consequences of natural disasters, epidemics, environmental mishaps or extraordinary events and other unforeseeable calamities, and for other unforeseen expenditure during the year.
(4) The budgetary reserve funds referred to in paragraphs (2) and (3) of this Article may not exceed 0.5 percent of planned budgetary revenues net of receipts.
(5) The level of funding for the budgetary reserve referred to in paragraph (4) of this Article shall be established by state budget execution legislation, or the budget execution decision.
(6) Budgetary reserve funds cannot be used for lending.

Article 57
(1) The Government or local or regional executive body, Prime Minister or chief official of a local or regional executive body, and the Finance Minister shall decide on use of the budgetary reserve funds referred to in Article 56 of this Act.
(2) The level of use of the funds referred to in paragraph (1) of this Article shall be established by state budget execution legislation or the budget execution decision.
(3) Every month, the Finance Minister shall be obliged to notify the Government, and the chief official of a local or regional executive body shall be obliged to notify that executive body of the use of the budgetary reserve referred to in paragraph (1) of this Article.
Article 58
If during the course of the year, the scope of activity or jurisdiction of a budget user is curtailed pursuant to valid legislation, leading to a reduction of funding, or if the budget user is terminated, the unexpended funds to cover its expenditure and outlays shall be transferred to the budgetary reserve or to the budget user that assumes its tasks.

REIMBURSEMENT OF FUNDS TO THE BUDGET

Article 59
(1) If it is subsequently ascertained that disbursements from the budget were executed illegally and/or without justification, the budget user must immediately demand the reimbursement of budgetary funds to the budget.

(2) If it is ascertained during budgetary oversight that funds were used contrary to law or the budget, the budgetary oversight inspector shall issue a decision on the reimbursement of funds to the budget.

(3) If it is ascertained during budgetary oversight that budgetary funds, for which payment into the state budget has been ascertained under special legislation, are not paid into the state budget or they were paid in an amount less than that stipulated, the budgetary oversight inspector shall issue a decision ordering their payment into the state budget.

(4) Appeals to the decisions referred to in paragraphs (2) and (3) of this Article shall not be permitted, but an administrative complaint may be filed.

(5) The Finance Minister shall, by means of the rules referred to in Article 55(4) of this Act, define the method for the reimbursement of funds and the maintenance of records on the reimbursement of the funds referred to in paragraphs (1) and (2) of this Article.

SYSTEM OF ACCOUNTS FOR EXECUTION OF THE STATE BUDGET AND LOCAL AND REGIONAL GOVERNMENT BUDGETS

Article 60
(1) The state budget and the budgets of local and regional governments shall have a single account for all payments.

(2) Budget users shall have a single account which is a component of the budget account referred to in paragraph (1) of this Article.

(3) The accountable person of the budget or budget user shall open the account referred to in paragraphs (1) and (2) of this Article.

VI. MANAGEMENT OF STATE ASSETS AND OF THE ASSETS OF LOCAL AND REGIONAL GOVERNMENTS

ASSETS OF THE STATE AND LOCAL AND REGIONAL GOVERNMENTS

Article 61
(1) The assets of the State and local and regional governments shall, for the purposes of this Act, mean financial and non-financial assets owned by the State and local and regional governments.
(2) In order to render public service and activities in the public interest, the State and local and regional governments may use their assets to establish institutions, companies and other legal persons.

**MANAGEMENT OF MONETARY ASSETS**

**Article 62**

(1) Any available monetary assets on the budget account shall be managed by the Finance Minister or the chief official of the local or regional executive body in compliance with Article 60 of this Act.

(2) The monetary assets referred to in paragraph (1) of this Article may be deposited with the Croatian National Bank, a commercial bank and invested in government securities, with due observance of the principles of safety, liquidity and cost-effectiveness of investment.

(3) The decision on selection of the bank referred to in paragraph (2) of this Article shall be made by the Finance Minister or the chief official of the local or regional executive body.

(4) The monetary assets referred to in paragraph (1) of this Article may not be invested in the shares and equity interests of commercial companies.

**REPORTING OBLIGATIONS OF LEGAL PERSONS**

**Article 63**

(1) Legal persons in which the Republic of Croatia or a local or regional government holds a minimum share of 25 percent of their capital shall, within a period not later than 9 months after the close of the business year, but not less than 30 days prior to the release of the summons to the session of the general assembly, submit to the Ministry of Finance or the local or regional executive body the agenda of the session of the general assembly and submit all auditors’ reports and reports from supervisory bodies for the preceding business year if such are not contained in the agenda of the general assembly session.

(2) The Government or the local or regional executive body shall submit to Parliament the request for an extraordinary audit of the operations of legal persons in which the Republic of Croatia or a local or regional government holds a minimum capital interest of 25 percent.

**ESTABLISHMENT AND TERMINATION OF LEGAL PERSONS AND ACQUISITION AND SALE OF EQUITY SHARES IN COMPANIES**

**Article 64**

(1) The decision on the establishment and termination of a legal persons founded or co-founded by the State or by local or regional governments shall be made by Parliament or the local or regional representative body, at the proposal of the Government or the local or regional executive body, unless stipulated otherwise by special legislation or the Local and Regional Governments Act.

(2) The Government or the local or regional representative body may, at the proposal of the relevant minister or local or regional executive body, decide to purchase shares or capital interests in companies if funding from the budget has been secured for such purchase and if this constitutes protection of the public interest or the interests of the local or regional government.
(3) The provision of paragraph (2) of this Article shall not pertain to local and regional governments that are the beneficiaries of aid for regions of special state care allocated from the state budget.

(4) In case the public interest of the Republic of Croatia or of a local or regional government in ownership of shares or interests in the capital of legal persons ceases, Parliament or the local or regional representative body shall, at the proposal of the Government or the local or regional executive body, decide to sell such shares or interests in capital, provided that this does not contradict special legislation.

SALE OF SHARES AND CAPITAL INTERESTS BY THE STATE AND LOCAL AND REGIONAL GOVERNMENTS

Article 65

(1) Receipts from the sale of the shares and equity interests referred to in Article 64 of this Act shall be used solely for debt servicing in the Financing Account.

(2) If the funds referred to in paragraph (1) of this Article are generated in an amount higher than that needed for the debt servicing referred to in paragraph (1) of this Article, it shall be used to procure non-financial and financial assets.

(3) The provisions of this Article shall be applied accordingly to local and regional governments.

COLLECTION OF RECOVERY CLAIMS BASED ON GUARANTEES

Article 66

(1) If budgetary funds are used to fulfil the liabilities under loan agreements or other liabilities for which a local or regional government has issued a guarantee, a recovery claim shall be established against the primary debtor on whose behalf the liability was paid.

(2) Immediately after settlement of the liability referred to in paragraph (1) hereof, the chief official of the local or regional executive body shall launch the procedure to collect the recovery claim from the primary debtor based on a security agreement.

DEBT-TO-EQUITY SWAP

Article 67

(1) The Republic of Croatia may acquire an interest in the capital of a company without compensation and by using budgetary funds.

(2) The Republic of Croatia may acquire interests in the capital of a company:
1. in exchange for receivables based on unpaid due taxes, contributions and other mandatory levies owed by the debtor,
2. in exchange for receivables based on granted loans and paid guarantees,
3. by investment in movable property and real estate, except for real estate used to render public services,
4. by exchanging shares and capital interests,
5. by purchase using state budgetary funds.
(3) The Government shall decide on the acquisition of interests in the capital of companies by the Republic of Croatia as delineated in paragraph (2)1, 2, 3 and 4 of this Article, at the proposal of the relevant ministry which has been approved by the Ministry of Finance.

(4) The local or regional representative body shall decide on the acquisition of interests in the capital of companies by local or regional governments as delineated in paragraph (2)1, 2, 3 and 4 of this Article, at the proposal of the local or regional executive body.

WRITE-OFF, PARTIAL WRITE-OFF, DEFERRAL AND DEBT SERVICING IN INSTALMENTS

Article 68

(1) The Government may, at the proposal of the Ministry of Finance and upon the request of the debtor, and with the opinion of the body with jurisdiction, defer payment or approve debt servicing in instalments, or sell, write off or partially write off receivables if such action significantly improves the possibility of repayment of the debt of the debtor, from whom it would otherwise not be possible to recover the entire debt.

(2) The Government shall issue a directive to regulate the type of debt or receivables, criteria, measures and procedure for the deferral of payment, debt servicing in instalments and the sale, write off or partial write-off of receivables as referred to in paragraph (1) of this Article for the State and local and regional governments.

(3) By way of derogation from paragraph (1) of this Article, the Ministry of Finance may, at the request of the debtor and with the opinion of the body with jurisdiction, defer payment or approve debt servicing in instalments, or sell or partially write off receivables up to the amount stipulated by the directive referred to in paragraph (2) of this Article.

(4) The provisions of paragraph (1) of this Article shall be applied accordingly to local and regional governments.

(5) The Government, Ministry of Finance and local and regional governments shall be obliged to disclose data on the level of debt and debtors to whom they approved deferred payment or debt servicing in instalments, and to disclose data on the level of debt and debtors whose debts owed thereto they sold, wrote off or partially wrote off.

(6) The disclosure referred to in paragraph (5) of this Article shall mean posting on the web sites of the Government, Ministry of Finance or local or regional government within a period of 30 days after the decision becomes legally binding, and it shall contain: the name and surname or entity designation of the taxpayer, the year of birth of the natural person, the domicile or residence of the natural person, or the registered head office of the legal person, the total amount of debt, type of the approved measure referred to in paragraphs (1) and (3) of this Article and the amount of sold or written-off receivables.

ACQUISITION OF NON-FINANCIAL FIXED ASSETS BY THE STATE AND LOCAL AND REGIONAL GOVERNMENTS

Article 69

(1) Non-financial fixed assets may be acquired by purchase only to the extent necessary to fulfil the tasks of budget users.

(2) In order to acquire assets without compensation, the budget users referred to in paragraph (1) of this Article must obtain the prior consent of the Government, or the regional or local executive body or other authorized body designated by the charter of the local or regional
government, if such acquisition may incur greater costs for the State or local or regional
government.

FUNDS FROM THE SALE OR EXCHANGE OF NON-FINANCIAL FIXED ASSETS OF
THE STATE OR LOCAL AND REGIONAL GOVERNMENTS AND FROM
INSURANCE-BASED COMPENSATION

Article 70
(1) Funds from the sale and exchange of non-financial assets of the State or local and regional
governments and from insurance-based compensation shall be used for the capital expenditure
of the State or local and regional governments, for investment in shares and capital interests in
companies and for repaying principal on long-term borrowing.
(2) The capital expenditure referred to in paragraph (2) of this Article shall be expenditure for
the procurement of non-financial assets, expenditure for the maintenance of non-financial
assets, and capital aid granted to companies in which the State or local and regional
governments have a decisive influence on management for the procurement of non-financial
assets and additional investment in non-financial assets.
(3) The provisions of this Article, to the extent they pertain to investment in shares and capital
interests in companies, shall not apply to the local and regional governments referred to in
Article 64(3) of this Act.

VII. BORROWING, DEBT MANAGEMENT, GUARANTEES FROM THE STATE,
LOCAL AND REGIONAL GOVERNMENTS AND THE PUBLIC SECTOR

BORROWING AND STATE DEBT

Article 71
(1) The basic objective of borrowing and debt management shall be to meet the financial
needs of the state budget by attaining the lowest medium- and long-term financing costs and
assuming a reasonable degree of risk.
(2) Borrowing may be incurred at home and abroad to the extent stipulated by law.
(3) The State Budget Execution Act shall specify the upper limit for new borrowing, as well
as liabilities based on current state debt servicing.
(4) During interim financing periods, the state may incur debt up to the amount dictated by
the interim financing decision referred to in Article 42 hereof.

Article 72
(1) Borrowing shall be implemented for the purpose of:
1. state budget deficit financing,
2. financing investment projects and special programmes in compliance with approval by
Parliament,
3. current state debt servicing,
4. settlement of payments due under state guarantees,
5. budgetary liquidity management,
6. coverage of the Croatian National Bank’s needs for foreign-exchange reserves.

(2) Borrowing for the purposes of early redemption of state debt shall be implemented with the objective of:
1. reducing the current level of state debt servicing costs,
2. extending the average maturity (changing the period of servicing) of state debt,
3. achieving a balanced state debt repayment schedule.

Article 73
The State Budget Execution Act shall, for each budget year, establish the total amount of new state debt and state guarantees which may be assumed or issued during that budget year and the total amount of state debt at the end of the budget year.

Article 74
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Article 75
(1) The decision on the debt level and the amount of state guarantees shall be made in compliance with the amounts and purposes stipulated by the annual budget and state budget execution legislation.
(2) The Finance Minister shall make the decision on state budget borrowing up to the sum established in compliance with paragraph (1) of this Article and sign agreements on state budget borrowing and state guarantees.
(3) The Government may propose constraining measures pertaining to the borrowing of local and regional governments and extra-budgetary users specified in the state budget execution legislation for a given year.
(4) The Ministry of Finance shall maintain a list of debts, issued guarantees and loans.

Article 76
(1) The state debt may be negotiated and serviced in Croatian kuna or a foreign currency.
(2) Liabilities due for payments for the interest and principal on state debt shall be priority payments for the state.

STATE DEBT MANAGEMENT

Article 77
(1) The State may raise credits and loans and issue securities to acquire the funding necessary to repay state debt prior to maturity or to redeem its own securities.
(2) The Finance Minister may temporarily buy back state bonds and temporarily repay credit and loans when the buy-back of bonds and temporary payment of credit and loans are permitted by agreement, in case temporary payment may be done by means of a more
favourable form of borrowing and this creates savings in interest payment and other advantages.

(3) The Finance Minister may, with the Government’s consent, obtain the funding necessary to repay the state debt which will become due in the next budget year by borrowing in the current budget year. The gathered funds shall be deposited with the Croatian National Bank.

(4) The Finance Minister may conclude transactions involving derivative financial instruments in order to achieve more favourable maturity, currency or interest structure for the state debt and to minimize the risk of exchange rate fluctuations and interest rate growth.

(5) The borrowing referred to in paragraphs (2) and (3) of this Article shall not enter into the limit specified in Article 71(3) hereof.

Article 78

(1) The Finance Minister may transfer borrowed funds to state bodies, financial institutions and/or other legal entities in compliance with contractual terms and conditions in cases when credit or loan contracts allow for earmarked financing.

(2) The state bodies, financial institutions and/or other legal entities referred to in paragraph (1) of this Article may use the received funds to finance investment projects or the activities of third parties that meet the requirements of creditors.

(3) Upon any business change, the state bodies, financial institutions and/or other legal entities referred to in paragraph (1) of this Article shall submit accounting documentation to the Ministry of Finance on the status and trends pertaining to funds within the framework of approved lines of credit or loans in the manner dictated by the Finance Minister.

Article 78a

Every three years and not later than 15 November of the current year, the Government shall adopt a conclusion whereby it sets the public debt management strategy for the subsequent three budget years.

TERMS AND CONDITIONS FOR THE CONCLUSION OF CREDIT AND LOAN AGREEMENTS GUARANTEED BY THE STATE

Article 79

(1) Pursuant to the State Budget Act, Parliament may authorize the Government to conclude agreements on state-guaranteed lines of credit and loans for specific purposes and in favour of specific domestic legal persons, within the framework of the sums established for such purposes by the state budget for each year.

(2) At the Finance Minister’s proposal, the Government shall grant approval for the agreements referred to in paragraph (1) of this Article based on a separate decision for each individual transaction.

Article 80

(1) The decision to issue state guarantees shall be made by the Government, except in cases of state guarantees which are under the purview of Parliament.
(2) The Ministry of Finance shall participate in negotiations on the raising of lines of credit or loans guaranteed by the state and shall, on behalf of the Government, approve agreements on the issuing of state guarantees in compliance with a decision of the Government.

(3) The Government may assign other state bodies to participate in negotiations on state-guaranteed lines of credit or loans together with the Ministry of Finance.

(4) The manner of issuing state guarantees shall be stipulated by state budget execution legislation for each individual year.

Article 81

(1) The State shall conclude agreements on lines of credit or loans with non-residents and issue guarantees under these agreements with non-residents in compliance with state budget execution legislation or pursuant to special legislation for each agreement.

(2) The credit-line agreements, loan agreements and guarantee agreements referred to in paragraph (1) of this Article concluded with non-residents which are subject to international law and international treaties based on succession pursuant to which financial liabilities are or may be incurred shall be ratified by law.

(3) The law referred to in paragraphs (1) and (2) of this Article shall regulate the sources of funding and terms and conditions for the settlement of the State’s liabilities which are or may be incurred on the basis of negotiated lines of credit, loans or guarantees.

(4) The Finance Minister shall conclude a separate agreement with the user of the credit line or loan for the guarantee referred to in paragraph (1) hereof after the signing of the guarantee agreement, and prior to the initiation of the procedure referred to in paragraph (2) of this Article.

(5) The Republic of Croatia shall, based on the agreement referred to in paragraph (4) of this Article, acquire the rights of a creditor for the sum of completed payment pertaining to the liabilities ensuing from the credit-line or loan agreement.

(6) The Croatian National Bank shall be notified of foreign credit transactions in the manner and within the deadlines established by the Croatian National Bank.

Article 82

(1) A legal person under the majority ownership or co-ownership of the Republic of Croatia shall conclude agreements on lines of credit or loans or issue guarantees based on the Government’s decision granting consent thereto, if the value of the transaction or guarantee does not exceed the sum established by the currently valid state budget execution legislation.

(2) The decision referred to in paragraph (1) of this Article shall contain provisions on the liability for servicing the credit or loan until final repayment and provisions on other guarantees with reference to indemnification and insurance of the state budget in cases of changes in the ownership structure of the user of the credit, loan or guarantee.

(3) The legal persons referred to in paragraph (1) of this Article shall ensure that the agreements on lines of credit or loan agreements are concluded with the intention of avoiding the provision of paragraph (1) of this Article.
Article 83
Amendments to the agreements on lines of credit or loans or guarantees, when state guarantees are already issued, shall be permitted solely with the consent of the Government.

Article 84
(1) The users of credit and loans guaranteed by the State shall submit monthly information on the status of the approved credit and loan funds to the Ministry of Finance by the fifteenth day of the month.
(2) The Finance Minister may, as needed, seek additional information on credit lines and loans guaranteed by the State from the state administrative bodies which have proposed the issuing of state guarantees.

Article 85
(1) The users of credits and loans guaranteed by the State shall be obliged to duly and regularly pay all liabilities to creditors.
(2) Payment pertaining to issued state guarantees shall be made:
1. when the user of the credit or loan does not make full or partial payment in compliance with the terms and conditions of the credit or loan agreement,
2. when the creditor undertakes measures and activities established by the credit or loan agreement.
(3) When the conditions referred to in paragraph (2)2 of this Article are not regulated by agreement on the issuing of a state guarantee, the Finance Minister shall ascertain measures with the creditor that will be undertaken in case any collection becomes due under state guarantees as well as the deadlines in which the State must settle due unpaid liabilities in compliance with special regulations.
(4) The Finance Minister shall, by means of a special agreement with the user of the state-guaranteed credit or loan, establish the manner in which the State shall acquire the right of creditor in the amount of completed payment based on the state guarantee.
(5) The user of the credit or loan shall be obliged to reimburse all amounts that the Ministry of Finance paid on the basis of the state guarantee.
(6) The Finance Minister shall be obliged to undertake all measures established by agreement and law for the reimbursement of amounts paid on the basis of the state guarantee.

BORROWING AND ISSUING OF GUARANTEES BY LOCAL AND REGIONAL GOVERNMENTS

Article 86
(1) Local and regional governments may borrow by taking out lines of credit, loans and issuing securities.
(2) Deleted.
Article 86a
(1) Local and regional governments may incur short-term debt for a period not to exceed 12 months, without the possibility of further rescheduling or settling of existing short-term credit or loan liabilities by taking out new short-term lines of credit or loans.

(2) Local and regional governments may incur short-term debt in compliance with paragraph (1) of this Article only to bridge the gap which emerged due to the varying dynamics of incoming revenues and due liabilities.

Article 87
(1) Local and regional governments may incur long-term debt only for investments that are financed from their budgets and which are ratified by their representative bodies with the consent of the Government at the proposal of the Finance Minister.

(2) The borrowing agreement shall be concluded by the chief official of the local or regional executive body on the basis of the enacted budget, with the consent of the Government and at the proposal of the Finance Minister.

(3) The consent referred to in paragraph (1) of this Article shall be a mandatory annex to the borrowing agreement.

(4) The Government shall decide on the request for granting consent for borrowing within a period not to exceed 40 days after the complete request is submitted.

(5) Consent shall not be granted if the request is contrary to law.

(6) The Finance Minister shall issue rules to dictate the mandatory components of the request, the mandatory attachments and documentation, the manner of reporting on borrowing and the conferral of consent for borrowing, the issuing of guarantees and consent.

(7) An agreement concluded contrary to the provisions of paragraph (2) of this Article shall be null and void.

(8) Local and regional governments shall be obliged to notify the Ministry of Finance of concluded agreements within a period not to exceed 8 days after the date on which they are concluded.

(9) Local and regional governments shall be obliged to notify the Ministry of Finance during the budget year, on a quarterly basis, by the tenth day of the month for the preceding reporting period, of the servicing of loans for which consent was granted by the Government as specified in paragraph (2) of this Article.

Article 88
(1) The total annual liabilities of local and regional governments referred to in Article 86 of this Act may not exceed 20 percent of revenues collected in the year preceding the year in which debt is incurred.

(2) The amount of the total annual liabilities referred to in paragraph (1) of this Article shall encompass the amount of the average annual debt service commitment based on credit lines and loans, liabilities under issued securities and guarantees and any consent granted under Article 90(2) of this Act, as well as due liabilities outstanding from preceding years.

(3) Annual liabilities under issued securities shall be ascertained for annuity bonds in the amount of the annual debt service commitment, while for bonds in which the principal is
amortized upon maturity, liabilities shall be ascertained for the projected maturity of the corresponding annual portion of the principal and the related interest.

(4) Collected budgetary revenues shall imply the collected revenues of individual local and regional governments referred to in Article 18(1) of this Act, less revenues:

1. from domestic and foreign aid and donations,
2. from special agreements: co-financing of citizens for community government purposes, and
3. from additional shares in income tax and equalization aid to finance decentralized functions.

(5) The provisions of this Article shall not pertain to projects co-financed from pre-accession programmes and funds of the European Union and to projects aimed at of improving energy efficiency and involving participation by local and regional governments.

Article 89

(1) Local and regional governments, institutions founded by local and regional governments and companies under the majority ownership of local and regional governments (hereinafter: public partners) may conclude public-private partnership agreements if the total annual amount of all fees paid by the public partner pays to private partners on the basis of all public-private partnership agreements does not exceed 25 percent of the budgetary revenues in the preceding year less capital revenues, subject to the opinion of the Ministry of Finance and other bodies according to special regulations governing public-private partnerships.

(2) The collected budgetary revenues referred to in paragraph (1) of this Article shall be the revenues cited in Article 88(4) of this Act.

(3) The capital revenues referred to in paragraph (1) of this Article shall be revenues from the sale of non-financial assets, receipts from the sales of securities and receipts from the sale of shares and capital interests.

Article 90

(1) Legal persons under the majority ownership or co-ownership of local and regional governments and institutions founded by a local and regional government may incur long-term debt only for investments with the consent of their majority owner or founder.

(2) The consent referred to in paragraph (1) of this Article shall be included in the scope of borrowing allowed to local and regional governments under Article 88 of this Act:

1. for borrowing by legal persons under the majority ownership or co-ownership of local and regional governments which reported a loss in their annual financial statements for the year preceding the year in which debt is to be incurred,
2. for borrowing by legal persons under the majority ownership or co-ownership of local and regional governments incurring debt for a period of two years after the date of their entry in the court register,
3. for borrowing by institutions founded by local and regional governments.

(3) If the charter or a decision of a local and regional government does not stipulate who is to make the decision on the consent referred to in paragraph (1) of this Article, the decision shall be made by the representative body of the local and regional government, in proportion to its ownership share.
(4) A local and regional government shall be obliged to notify the Ministry of Finance of the consent referred to in paragraph (1) of this Article within a period not to exceed 8 days after the date on which consent is granted, as well as of any concluded agreement on borrowing by the legal person and institution referred to in paragraph (2) of this Article within a period not to exceed 8 days after the date of its conclusion.

(5) Local and regional governments shall be obliged to notify the Ministry of Finance during the budget year, on a quarterly basis, by the tenth day of the month for the preceding reporting period, of any payments pursuant to agreements on borrowing by the legal persons and institutions referred to in paragraph (2) of this Article.

**Article 91**

(1) Regional governments may issue guarantees to local governments within their jurisdiction with the consent of the Government. The issued guarantee shall be included in the scope of borrowing allowed to regional governments under Article 88 of this Act.

(2) Local and regional governments may issue guarantees to legal persons under the majority ownership or indirect ownership of local and regional governments and to institutions founded thereby in order to meet the liabilities of said legal persons and institutions. The issued guarantee shall be included in the scope borrowing allowed to local and regional governments under Article 88 of this Act.

(3) If the charter or a decision of a local and regional government does not stipulate who is to make the decision on the guarantee referred to in paragraph (2) of this Article, the decision shall be made by the representative body of the local and regional government in proportion to its ownership share.

(4) The majority owner or founder shall be obliged to secure consent from the Finance Minister prior to issuing the guarantee referred to in paragraph (2) of this Article.

(5) The agreement on the guarantee referred to in paragraphs (1) and (2) of this Article shall be concluded by the chief official of the executive body on behalf of the local and regional government.

(6) Local and regional governments shall be obliged to notify the Ministry of Finance of the concluded agreement on the guarantee referred to in paragraphs (1) and (2) of this Article within a period not to exceed 8 days after the date of its conclusion.

(7) Local and regional governments shall be obliged to notify the Ministry of Finance during the budget year, on a quarterly basis, by the tenth day of the month for the preceding reporting period, of the status of active guarantees for which consent has been granted.

**Article 92**

(1) Newly-established local and regional governments may not incur debt nor grant consent and guarantees for borrowing until mutual property rights matters have been regulated in compliance with the Local and Regional Governments Act.

(2) After the regulation of mutual property rights matters, a local and regional government may incur debt and issue guarantees only if, on 31 December of the year when the previous local and regional government ceased functioning, it did not surpass the limit for borrowing and issuing guarantees in compliance with the provisions of Article 88 of this Act.
(3) If the newly-established local and regional government cannot ascertain the revenues collected in the year preceding the year in which debt was incurred, the estimated revenues for the current year shall be used as a measure.

BORROWING AND GUARANTEES ISSUED BY EXTRA-BUDGETARY USERS

Article 93
(1) Extra-budgetary users of the state budget may incur debt and issue guarantees only under the conditions dictated by the Government by its decision at the proposal of the Finance Minister.
(2) The total level of borrowing and issued guarantees referred to in paragraph (1) of this Article shall be regulated by state budget execution legislation.

Article 94
(1) Extra-budgetary users of the budgets of local and regional governments may incur debt and issue guarantees only for investments, with the consent of the relevant local or regional government. Borrowing and issued guarantees with granted consent shall be included in the scope of borrowing allowed to local and regional governments as specified in Article 88 of this Act.
(2) Local and regional governments shall be obliged to secure the consent of the Finance Minister prior to granting the consent referred to in paragraph (1) of this Article.
(3) Local and regional governments shall be obliged to notify the Ministry of Finance of concluded agreements on the borrowing and issued guarantees referred to in paragraph (1) of this Article within a period not to exceed 8 days after the date of conclusion.
(4) Local and regional governments shall be obliged to notify the Ministry of Finance during the budget year, on a quarterly basis, by the tenth day of the month for the preceding reporting period, of loan repayment and the status of active guarantees for which consent has been granted.
(5) The total level of borrowing and issued guarantees referred to in paragraph (1) of this Article shall be ascertained by the decision on local or regional budget execution for each year.

VIII. AUTHORITY AND ACCOUNTABILITY OF CHIEF OFFICIALS OF LOCAL AND REGIONAL GOVERNMENTS AND BUDGET USERS AND THE PRINCIPLE OF SEPARATION OF DUTIES

AUTHORITY AND ACCOUNTABILITY OF CHIEF OFFICIALS OF LOCAL AND REGIONAL GOVERNMENTS AND BUDGET USERS

Article 95
(1) The chief officials of local and regional governments and budget users shall be accountable for:

a) the planning and execution of their portions of the budget,
b) the collection of revenues and receipts under their jurisdiction and their payment into the budget,  
c) the assumption of liabilities, verification of liabilities, the issue of payment orders against the budgetary funds of the bodies which they administer, ascertaining the right to collection and the issue of collection orders to the benefit of budgetary funds,  
d) the legality, purposiveness, efficiency and cost-effective administration of budgetary funds.  

(2) The chief officials of local and regional governments and budget users may, in order to perform the tasks referred to in paragraph (1) of this Article, authorize a third party by special decision in compliance with the by-laws governing internal organization. Delegation of authority shall also mean the transfer of accountability, which shall not exclude the accountability of the chief official.  

(3) The delegation of authority referred to in paragraph (2) of this Article must be implemented with due observance of the principle of separation of duties.  

**PRINCIPLE OF SEPARATION OF DUTIES**  
**Article 96**  
The duties of lawful execution of the orders referred to in Article 95 of this Act in compliance with finance and accounting regulations and the duties of lawful and purposeful spending of public monies for the purposes established by the budget and financial plan shall be incompatible.  

**IX. BUDGETARY ACCOUNTING**  
**CONTENT OF ACCOUNTING**  
**Article 97**  
Budgetary accounting shall be employed to govern business records, accounting documents and data processing, the content of accounts in the chart of accounts, the recognition of revenues and receipts and expenditures and outlays, the estimation of balance-sheet items, value adjustment, financial reporting and other issues pertaining to budgetary accounting.  

**PRINCIPLES OF BUDGETARY ACCOUNTING**  
**Article 98**  
(1) Budgetary accounting shall be based upon generally-accepted accounting principles: accuracy, verity, reliability, and the individual presentation of business events, and on international accounting standards for the public sector.  
(2) Budgetary accounting shall be conducted pursuant to the principle of double-entry bookkeeping, and according to the schedule of accounts in the chart of accounts.  

**APPLICATION OF BUDGETARY ACCOUNTING**  
**Article 99**  
(1) Budgetary accounting shall be applied in the budgets and by the budget users referred to in Article 2(1) of this Act.
(2) The Finance Minister shall issue the rules specified in Article 100(1) of this Act in order to stipulate the criteria for determination of the obligation to apply budgetary accounting for the extra-budgetary users referred to in Article 2(2) of this Act.

(3) The extra-budgetary users referred to in Article 2(2) of this Act shall be obliged to apply financial reporting in compliance with budgetary accounting.

**AUTHORITY TO ISSUE RULES**

Article 100

(1) The Finance Minister shall issue rules on budgetary accounting and the chart of accounts.

(2) The Finance Minister shall issue rules on financial reporting in budgetary accounting.

**ACCOUNTABILITY AND OBLIGATIONS**

Article 101

(1) The accountable person in the local and regional government and budget user shall be responsible for the organization and the lawful and proper conduct of budgetary accounting.

(2) The conduct of budgetary accounting may be entrusted to an authorized professional organization or person.

(3) The individual managing the accounting department of the local and regional government and budget user or the person to whom accounting tasks have been entrusted shall be accountable for the compilation of financial statements.

(4) The accountable person in the local and regional government and budget user or the person authorized thereby shall sign the financial statement and is accountable for their submission.

**OPERATING LEDGERS AND ACCOUNTING DOCUMENTS**

Article 102

(1) The operating ledgers of local and regional governments and budget users are the journal, main ledger and auxiliary ledgers.

(2) The Finance Minister shall, under the rules referred to in Article 100(1) of this Act, stipulate the type and content of the operating ledgers referred to in paragraph (1) of this Article.

Article 103

(1) An accounting document is a written or electronically stored evidence on a completed operational change.

(2) The entry of data in operating ledgers into operating ledgers shall be based on credible, accurate and proper accounting documents.

(3) The accountable person in the local and regional government and budget user or the person authorized thereby shall certify the propriety of accounting documents with his/her signature or electronic signature.

(4) The data referred to in paragraph (2) of this Article shall be secured by the accountable person in written form as well.
(1) The acknowledgement of revenues and receipts and expenditure and outlays is based on the modified accounting accrual principle.

(2) The estimate of assets, liabilities and sources of ownership shall be conducted according to the modified accounting principle of accrual with the application of the historical cost method.

(3) The Finance Minister shall, under the rules referred to in Article 100(1) of this Act, stipulate the content and meaning of the modified accrual principle and the fixed asset revaluation procedure.

FINANCIAL REPORTING

Article 105

(1) Financial statements shall be compiled for the budget and budget users.

(2) Financial statements for the budget and budget users are statements detailing the status and structure, and changes in the value and extent of assets, liabilities, own sources, revenues, expenditure, receipts and outlays, and cash flows.

(3) Financial statements are compiled for the periods in the course of the budget year and for the current budget year.

(4) Financial statements for periods in the course of the year are maintained until the submission of financial statements for the same period of the subsequent year, while the annual financial statement is permanently maintained in its original form.

(5) The users referred to in Article 2 of this Act shall draft and submit financial statements in compliance with the rules referred to in Article 100(2) of this Act.

(6) The Finance Minister shall, by means of the rules referred to in Article 100(2) of this Act, regulate the form and content of financial statements, the periods for which they are compiled and the obligation and deadlines for their submission.

Article 106

For the needs of compilation of the financial statements referred to in Article 105 of this Act, the central state administrative authority in charge of management of state-owned assets shall compile and submit to the Ministry of Finance by 15 February of the current budget year a list of the state-owned assets with their status as at 31 December of the year for which the list is compiled.

Article 107

(1) Ministries and other state bodies at the heading level shall consolidate the financial statements of budget users which are, according to organizational classification, under their jurisdiction into their own financial statements and compile consolidated financial statements which they shall submit to the Ministry of Finance.

(2) Local and regional governments shall consolidate the financial statements of budget users that are, according to organizational classification, under their jurisdiction into their own
financial statements and compile consolidated financial statements which they shall submit to the Ministry of Finance.

(3) The Ministry of Finance shall consolidate:

1. the consolidated financial statements from paragraph (1) of this Article and the financial statement of the state budget and compile a consolidated financial statement of the state budget,

2. the consolidated financial statement of the state budget from paragraph (1) of this Article and the financial statements of extra-budgetary users of the state budget and compile a consolidated financial statement of the central budget,

3. the consolidated financial statements of the budgets of all local and regional governments and the financial statements of all extra-budgetary users of local and regional governments and record them in the consolidated financial statement,

4. the consolidated financial statement of the central budget referred to in sub-paragraph 2 of this paragraph and the consolidated financial statement referred to in sub-paragraph 3 of this paragraph and compile the consolidated financial statement of the general budget.

X. SEMI-ANNUAL AND ANNUAL BUDGET EXECUTION REPORT

CONTENT OF SEMI-ANNUAL AND ANNUAL BUDGET EXECUTION REPORTS

Article 108

(1) Semi-annual and annual budget execution reports shall contain:

1. the general section of the budget consisting of revenues and expenditure and the Financing Account at the level of section economic classification,

2. the special section of the budget broken down by organizational and programme classification and the level of section economic classification,

3. the report on borrowing on domestic and foreign money and capital markets,

4. the report on use of budgetary reserves,

5. the report on issued state guarantees and outlays pursuant to state guarantees,

6. an explanation of macroeconomic indicators,

7. an explanation of generated revenues and receipts, expenditure and outlays,

8. the general budget deficit.

(2) The semi-annual and annual budget execution report of the extra-budgetary user shall contain:

1. the general section of the financial plan containing the Revenue and Expenditure Account and the Financing Account at the level of section economic classification,

2. the special section of the financial plan by organizational and programme classification and the level of section economic classification, and

3. an explanation of generated revenues and receipts, expenditure and outlays.

(3) The annual budget execution report shall also include a report on implementation of the public debt management strategy.

(4) The provisions of paragraph (1) of this Article, with the exception of sub-paragraphs 6 and 8, shall be applied accordingly to local and regional governments.
(5) The semi-annual and annual budget execution reports of local and regional governments shall also contain a report on implementation of developmental programme plans.
(6) The Finance Minister shall, by means of the rules governing the semi-annual and annual budget execution reports, prescribe the content of the semi-annual and annual budget execution reports and the those responsible for their compilation.

ADOPTION OF THE SEMI-ANNUAL BUDGET EXECUTION REPORT
Article 109
(1) The Ministry of Finance or the administrative department in charge of finances shall submit to the Government or the relevant local or regional executive body the semi-annual budget execution report for the first six months of the current budget year not later than the fifth day of September of the current budget year.
(2) The Government or the relevant local or regional executive body shall submit to Parliament or the relevant representative body the semi-annual budget execution report for adoption not later than the fifteenth day of September of the current budget year.

ADOPTION OF THE ANNUAL BUDGET EXECUTION REPORT
Article 110
(1) The Ministry of Finance or the administrative department in charge of finances shall submit to the Government or the relevant local or regional executive body the annual budget execution report by 1 May of the current year for the preceding year.
(2) The Government or the relevant local or regional executive body shall submit to Parliament or the relevant representative body the annual budget execution report for adoption by 1 June of the current year for the preceding year.

SUBMISSION OF SEMI-ANNUAL AND ANNUAL FINANCIAL PLAN EXECUTION REPORTS BY EXTRA-BUDGET USERS
Article 111
(1) Extra-budgetary users must compile the semi-annual and annual financial plan execution reports for the preceding period, with attached explanations, and submit them to the Ministry of Finance by 30 July of the current year and by 31 March of the current budget year.
(2) The semi-annual and annual financial plan execution reports of extra-budgetary reports shall be submitted by the Government or relevant local or regional executive body to Parliament or the relevant representative body for approval together with the semi-annual and annual budget execution reports referred to in Article 109 and 110 of this Act.

SUBMISSION OF THE ANNUAL BUDGET EXECUTION REPORT BY LOCAL AND REGIONAL GOVERNMENTS
Article 112
(1) The annual budget execution report of local and regional governments shall be submitted to the Ministry of Finance and the State Audit Office within a period not to exceed 15 days after its adoption by the representative body of the local and regional government.
(2) Notwithstanding, insofar as the representative body does not adopt the report referred to in paragraph (1) of this Article, it shall be submitted to the Ministry of Finance and the State Audit Office within a period not to exceed 60 days after the date of its submission to the representative body.

SUBMISSION OF DATA FROM THE BUDGETS OF LOCAL AND REGIONAL GOVERNMENTS

Article 113

Those local and regional governments which fail to submit their data within the deadlines and in the manner stipulated by the provisions of Articles 40, 87, 90, 91, 94 and 112 of this Act shall have the remittance of aid and equalization aid from the state budget temporarily halted.

XI. EUROPEAN UNION FUNDS

Article 114

(1) Activities and projects financed from funds provided by the European Union shall be planned in the state budget.

(2) The system for utilization of European Union funding shall be regulated by special laws and in compliance with the internationally assumed commitments of the Republic of Croatia.

(3) The Republic of Croatia, as a user of European Union funding, shall, through the system of implementation of European Union assistance, secure:

a) the observance of the principle of separation of duties,

b) the functioning of internal financial controls,

c) the particular monitoring of projects financing by European Union funds and annual reporting on expenditures,

d) the existence of institutions to perform independent external audits,

e) transparent, non-discriminatory public procurement processes which preclude conflicts of interest,

f) regular controls which ensure the proper execution of activities financed by European Union funds,

g) the implementation of the appropriate measures to prevent irregularities and fraud and, if necessary, the initiation of judicial proceedings to recover store improperly spent funds.

Article 114a

(1) The Republic of Croatia, as a user of European Union funds, shall secure the safeguarding of the financial interests of the European Union through the establishment of systems to combat irregularities and fraud (AFCOS).

(2) The Government shall issue a directive to stipulate the institutional framework for the system to combat irregularities and fraud as referred to in paragraph (1) of this Article.
XII. BUDGETARY OVERSIGHT

SCOPE OF BUDGETARY OVERSIGHT

Article 115

(1) Budgetary oversight is inspectorial supervision of the legality, purposiveness and timeliness of the use of budgetary funds, the timely and comprehensive collection of revenues and receipts under the purview of budget users and the bodies of local and regional governments, and inspectorial supervision of adherence to and enforcement of laws and other regulations pertaining to budgetary funds and funds from other sources, regardless of whether they concern revenues/receipts, expenditures/outlays, refunds, assets or liabilities.

(2) Budgetary oversight shall encompass oversight of accounting, financial and other operating documents and an inspection of operating premises, buildings, physical articles, goods and other items in compliance with the purpose of inspectorial supervision.

(3) The Ministry of Finance shall conduct budgetary oversight of budget users and extra-budgetary users of the state budget, local and regional governments and their budget users and extra-budgetary users, companies and other legal and natural persons who receive funds from the budgets and financial plans of extra-budgetary users, as well as oversight of the use of credit funds based on guarantees from the State and local and regional governments (subject of oversight).

(4) The Finance Minister shall issue rules on budgetary oversight to regulate the objectives, jurisdiction, content, methods and conditions, bodies and accountable persons to whom budgetary oversight inspectors are obliged to submit reports on completed oversight, the individual authorized for budgetary oversight and budgetary oversight measures.

METHODS FOR CONDUCTING BUDGETARY OVERSIGHT

Article 116

(1) Budgetary oversight shall be conducted pursuant to petitions from citizens, requests from central state administrative bodies, local and regional governments and other legal persons which indicate reasonable suspicion of irregularities or fraud, and at the behest of the Finance Minister.

(2) The decision to conduct budgetary oversight shall be made by the Finance Minister.

(3) Budgetary oversight of the operations of a budget user shall be conducted by direct inspection in the premises of the subject of oversight, and by analysis of its financial/accounting documentation.

Article 116a

(1) The budgetary oversight inspector shall be obliged to compile a report on the completed budgetary oversight.

(2) The report referred to in paragraph (1) of this Article shall be submitted to the accountable person in the subject of oversight.

(3) The accountable person in the subject of oversight shall be entitled to file objections against the report on completed budgetary oversight in written form within a period of 15 days, counted from the date of delivery of the report.
(4) Insofar as new facts and material evidence are conveyed in the written objections which should alter the state of facts ascertained in the report, the budgetary oversight inspector shall compile a supplemental report on such facts and material evidence.

(5) The provisions of the General Administrative Procedures Act shall be applied accordingly to budgetary oversight.

Article 117

(1) The budgetary oversight inspector who ascertained actions whereby a violation was perpetrated during the oversight procedure shall draft misdemeanour charges against the perpetrator of the violation on behalf of the Ministry of Finance and submit it to the regional office of the National Tax Administration.

(2) The misdemeanour proceedings for the infractions stipulated by this Act shall be conducted in the first instance by the regional office of the National Tax Administration.

(3) Misdemeanour prosecution may not be launched after the end of three years after perpetration of the violation.

Article 118

(1) The provisions of the Misdemeanour Act shall be applied accordingly to the rules of conduct for misdemeanour proceedings, appeals procedures and extraordinary legal recourse.

(2) The provisions of the General Tax Act shall be applied accordingly with reference to compulsory collection of legally-binding fines in misdemeanour proceedings.

Article 119

Insofar as the budgetary oversight inspector ascertains actions for which there is reasonable suspicion of perpetration of a crime, the inspector shall file criminal charges with the public prosecutor’s office with jurisdiction.

OBLIGATION OF PARTICIPATION IN OVERSIGHT PROCEDURE BY THE OVERSIGHT SUBJECT

Article 120

(1) The accountable person in the subject of oversight or a person authorized thereby shall be obliged to participate in the oversight procedure and, at the budgetary oversight inspector’s request, present all necessary documentation for inspection.

(2) The accountable person in the subject of oversight shall be obliged to facilitate the unimpeded conduct of budgetary oversight and secure the proper conditions for work.

SPECIAL AUTHORITY OF PERSONS CONDUCTING BUDGETARY OVERSIGHT

Article 121

(1) The persons authorized to conduct budgetary oversight are the budgetary oversight inspectors of the Ministry of Finance.

(2) Budgetary oversight inspectors shall have official badges issued by the Finance Minister.
(3) The Finance Minister shall issue rules governing the appearance of the official badges of budgetary oversight inspectors, the maintenance of records on official badges and the manner of their issue, use and replacement.

Article 122
(1) Budgetary oversight inspectors shall be obliged to maintain business and professional secrets and classified data to which they gain knowledge during the performance of oversight and other operations under their jurisdiction in compliance with the ascertained degree of confidentiality.
(2) The report on completed budgetary oversight referred to in Article 116.a(1) of this Act may be submitted solely to the courts, bodies of state authority and other state bodies at their written elaborated request in judicial and administrative proceedings under their jurisdiction.

XIII. PREPARATION AND IMPLEMENTATION OF EDUCATION

Article 123
(1) The Ministry of Finance shall prepare and implement the education and additional training for staff in the public sector.
(2) The Ministry of Finance shall organize a specialist programme of education in the field of public finance for civil servants in compliance with special regulations.
(3) Certificates shall be issued at the end of the completed programme of education.
(4) The programme, education categories, conditions for attendees, the organization, implementation method and conditions which must be fulfilled by the persons participating in the implementation of education, and the appearance and content of the certificate of completion shall be prescribed by the Government by a directive on the forms, methods and conditions for education in the field of public finance.

XIV. PENAL PROVISIONS

Article 124
The violation of a legal person shall carry a penalty of a fine from HRK 500,000.00 to 2,000,000.00:
1. if budgetary funds are not used to finance expenditure, functions and programmes of state bodies and local and regional governmental bodies and other budget users and extra-budgetary users at the level established by the budget (Article 5(2))
2. if a local or regional government, budget user or extra-budgetary user fails to post its annual financial statements on its internet site not later than the eighth day after the date of submission of the statements (Article 12(5)) or if the budget user or extra-budgetary user that does not have its own internet site fails to post the financial statements on the internet sites of the relevant institution at the state budget heading level, or the relevant local or regional government within a period eight days following their submission (Article 12(6))
3. if a ministry or other state body at the heading level of organizational classification fails to notify the Ministry of Finance on the implementation of a strategic plan in compliance with the deadlines for budget execution reporting (Article 23(4))

4. if the state budget user fails to draft a financial plan by months for the entire year at the behest of the Ministry of Finance in compliance with the state budget which was enacted by Parliament and the planned maturity of liabilities (Article 41(1))

5. if the budget user which is a local and regional government fails to draft a financial plan by months for the entire year at the behest of the administrative department in charge of finance in compliance with the budget of the local or regional government adopted by the relevant representative body and the planned maturity of liabilities (Article 41(1) and (4))

6. if the budget user does not finance the same programmes during an interim financing period and if the number of employees is increased in comparison to 31 December of the preceding year (Article 42(6))

7. if the budget user assumes new liabilities during an interim financing period (Article 42(7))

8. if the budget user assumes commitments at the expense of the state budget in the current year contrary to the purposes and above the level established by the financial plan and/or if all conditions therefor prescribed by law and other regulations were not fulfilled (Article 44(1) and (6))

9. if the budget user assumes commitments under agreements which require payment in subsequent years, regardless of the financing source, without the Government’s consent (Article 44(2) and (6))

10. if the budget user assumes commitments under investment projects without conducting expertise-based evaluation and assessments of the justification and cost-effectiveness of the investment project (Article 45(1) and (2))

11. if budgetary funds are reallocated to budgetary line-items for budget users or between budget users and for extra-budget users by over 5% of the expenditure and outlays in the budgetary line-item ratified by Parliament or the relevant representative body which is reduced, or if they are reallocated without the approval of the Finance Minister or municipal mayor, city mayor or county prefect (Article 46(1), (2) and (4))

12. if the budget user fails to ascertain, collect and pay into the budget in complete and timely fashion the revenues and receipts under its jurisdiction (Article 47(1) and (2)) and if it fails to execute expenditure and outlays in compliance with stipulated purposes (Article 47(1))

13. if earmarked revenues and receipts are not paid into the budget (Article 48(2))

14. if own revenues are not paid into the budget (Article 52(2))

15. if advance payment is made without obtaining the prior consent of the Finance Minister or the consent of a municipal mayor, city mayor, or county prefect when such consent is required in compliance with state budget execution legislation or the decision on budget execution for a given year (Article 53)

16. if in the case of disbursements for which the purposes were established in advance in special regulations there is no monitoring of the legal and earmarked use of disbursed funds (Article 54a)

17. if the budget user has several accounts or accounts which are not part of a budget account for all payments (Article 60(2))

18. if the funds obtained from the sale of shares and equity interests are not used solely for debt servicing in the Financing Account (Article 65(1))
19. if the funds from the sale of share and equity interests earned in sum higher than necessary to service debt in the Financing Account are not used to procure non-financial and financial assets (Article 65(2))

20. if the local and regional government incurs long-term debt for purposes other than investment, or if the investment is not financed from its budget and if such debt is not approved by its representative body and if the municipal mayor, city mayor or county prefect concludes a borrowing agreement without obtaining the prior consent of the Government (Article 87(1))

21. if a public partner concludes a public-private partnership agreement and the total amount of all fees which the public partner pays to the private partner pursuant to all public-private partnership agreements surpasses 25 percent of generated budgetary revenues in the preceding year less capital earnings, or if the public partner does not obtain the opinion of the Ministry of Finance and other bodies in compliance with special legislation governing public-private partnerships (Article 89)

22. if the local and regional government incurs long-term debt for purposes other than investment, or if the investment is not financed from its budget and if such debt is not approved by its representative body and if the municipal mayor, city mayor or county prefect concludes a borrowing agreement without obtaining the prior consent of the Government (Article 87(1))

23. if the local and regional government issue a guarantee to a legal person under the direct or indirect majority ownership of the local or regional government or the institution founded by a local or regional government for a purpose other than investment and/or without the consent of the majority owner or founder (Article 90(1))

24. if a local or regional government issues a guarantee to the legal person under the direct or indirect majority ownership of the local or regional government or an institution founded by such government for a purpose other than the settlement of the liabilities of said legal person or institution (Article 91(1))

25. if the decision to issue a guarantee is not made by the representative body of a local or regional government in proportion to its ownership share, except when the charter or decision of the local or regional government do not stipulate who makes decisions on guarantees (Article 91(3))

26. if the local or regional government issues a guarantee without obtaining the consent of the Finance Minister (Article 91(4))

27. if the newly-organized local or regional government incurs debt, grants consent or issues a guarantee for borrowing prior to regulation of mutual property rights matters in compliance with the Local and Regional Government Act (Article 92(1))

28. if, after the regulation of mutual property rights matters, debt is incurred and guarantees are issued by a local or regional government which, as at 31 December of the year when the preceding local or regional government ceased functioning, surpassed the limit for borrowing and issuing guarantees according to Article 88 of this Act (Article 92(2))

29. if the extra-budgetary user of the state budget incurs debt or issues a guarantee contrary to the conditions established by a decision of the Government at the proposal of the Finance Minister (Article 93(1))

30. if the extra-budgetary user of a local or regional governmental budget incurs debt and issues a guarantee without the consent of the local or regional government (Article 94(1)).

Article 125

A violation by the accountable person of the budget and budget user shall carry a fine of HRK 50,000.00 to 100,000.00:
1. if the drafting or execution of the budget is not based on the principles of unity and accuracy, annuity, equilibrium, unit of account, universality, specification, sound financial management and transparency (Article 4)

2. if budgetary funds are not used to finance expenditure, functions and programmes of state bodies and local and regional governmental bodies and other budget users and extra-budgetary users to the level established by the budget (Article 5(2))

3. if the local or regional government, budget user or extra-budgetary user fails to post its annual financial statements on its internet site not later than a period of eight days after the statements are submitted (Article 12(5)) or if the budget user or extra-budgetary user that does not have its own internet site fails to post its financial statements on the internet site of the relevant institution at the state budget heading level, or the relevant local or regional government, within a period of eight days after the date on which they are submitted (Article 12(6))

4. if a ministry or other state body at the heading level of organizational classification fails to semi-annually and annually notify the Ministry of Finance of the implementation of the strategic plan in compliance with the deadlines for budget execution reporting (Article 23(4))

5. if state budget user fails to draft a financial plan by months for the entire year at the behest of the Ministry of Finance in compliance with the state budget enacted by Parliament and planned maturity of liabilities (Article 41(1))

6. if the user of a local or regional budget fails to draft a financial plan by months for the entire year at the behest administrative department in charge of finance in compliance with the budget of the local or regional government adopted by its representative body and the planned maturity of liabilities (Article 41(1) and (4))

7. if interim financing is not conducted in proportion to the revenues secured in the same period according to the budget for the preceding year, or more than one fourth of the total revenues collected without receipts (Article 42(3))

8. if during the interim financing period the budget user fails to finance the same programmes and if it increases the number of employees in comparison to the status of 31 December of the preceding year (Article 42(6))

9. if the budget user assumes new liabilities during the interim financing period (Article 42(7))

10. if the budget user assumes commitments at the expense of the state budget in the current year contrary to the purposes and above the level established by the financial plan and/or if all conditions therefor prescribed by law and other regulations were not fulfilled (Article 44(1) and (6))

11. if the budget user assumes commitments under agreements under agreements which require payments in subsequent years, regardless of the financing source, without the Government’s consent (Article 44(2) and (6))

12. if the budget user assumes commitments under investment projects without conducting expertise-based evaluation and assessments of the justification and cost-effectiveness of the investment project (Article 45(1) and (2))

13. if budgetary funds are reallocated to budgetary line-items for budget users or between budget users and for extra-budget users by over 5% of the expenditure and outlays in the budgetary line-item ratified by Parliament or the relevant representative body which is reduced, or if they are reallocated without the approval of the Finance Minister or municipal mayor, city mayor or county prefect (Article 46(1), (2) and (4))
14. if the budget user fails to ascertain, collect and pay into the budget in complete and timely fashion the revenues and receipts under its jurisdiction (Article 47(1) and (2)) and if it fails to execute expenditure and outlays in compliance with stipulated purposes (Article 47(1))

15. if earmarked revenues and receipts are not paid into the budget (Article 48(2))

16. if the user assumes and pays liabilities at a level above that actually paid-in, or available funds, or if paid-in and transferred and less planned earmarked receipts from borrowing are executed above the amount established in the state budget and to the level of paid-in and transferred funds without the prior consent of the Ministry of Finance (Article 50(1), (2), (3) and (4))

17. if own revenues are not paid into the budget (Article 52(2))

18. if advance payment is made without obtaining the prior consent of the Finance Minister or the consent of a municipal mayor, city mayor, or county prefect when such consent is required in compliance with state budget execution legislation or the decision on budget execution for a given year (Article 53)

19. if the expenditure or outlay from the budget is not based on credible accounting document whereby the payment obligation is proven (Article 54(1))

20. if prior to disbursement he/she fails to verify and does not sign the legal foundation and level of liability which ensues from the accounting document (Article 54(2))

21. if in the case of disbursements for which the purposes were established in advance in special regulations there is no monitoring of the legal and earmarked use of disbursed funds (Article 54a)

22. if the budget user, after subsequently ascertaining that a disbursement from the budget was executed illegally and/or without justification, fails to seek recovery of the budgetary funds to the budget (Article 59(1))

23. if the budget user fails to open a single account for all payments (Article 60(3))

24. if the monetary funds are invested in shares and equity interests in commercial companies (Article 62(4))

25. if the funds obtained from the sale of shares and equity interests are not used solely for debt servicing in the Financing Account (Article 65(1))

26. if the funds from the sale of share and equity interests earned in sum higher than necessary to service debt in the Financing Account are not used to procure non-financial and financial assets (Article 65(2))

27. if non-financial fixed assets are not acquired by purchase and to an extent necessary to fulfill the tasks of the budget users or if the assets are acquired without compensation without the prior consent of the Government or the municipal mayor, city mayor, county prefect or other body authorized by the charter of the local or regional government, and such acquisition incurred higher costs for the State or local or regional government (Article 69(1) and (2))

28. if the proceeds from the sale and replacement of non-financial fixed assets of the State or local or regional government, and from insurance-based compensation are used for purposes other than the capital expenditure of the State or local or regional government (Article 70(1))

29. if the local and regional government incurs long-term debt for purposes other than investment, or if the investment is not financed from its budget and if such debt is not approved by its representative body and if the municipal mayor, city mayor or county prefect concludes a borrowing agreement without obtaining the prior consent of the Government (Article 87(1))
30. if the total annual liabilities of the local or regional government from Article 86 of this Act exceeds 20 percent of generated revenues in the year preceding the year in which debt is incurred (Article 88.)

31. if a public partner concludes a public-private partnership agreement and the total amount of all fees which the public partner pays to the private partner pursuant to all public-private partnership agreements surpasses 25 percent of generated budgetary revenues in the preceding year less capital earnings, or if the public partner does not obtain the opinion of the Ministry of Finance and other bodies in compliance with special legislation governing public-private partnerships (Article 89)

32. if the legal person under the direct or indirect majority ownership of a local or regional government or the institution founded by a local or regional government incurs debt for a purpose other than investment and/or without the consent of the majority owner or founder (Article 90(1))

33. if a regional government issue a guarantee to a local government without the consent of the Government (Article 91(1))

34. if a local or regional government issues a guarantee to a legal person under the direct or indirect majority ownership of the local or regional government or an institution founded by such government for a purpose other than the settlement of the liabilities of said legal person or institution (Article 91(2))

35. if the decision to issue a guarantee is not made by the representative body of a local or regional government in proportion to its ownership share, except when the charter or decision of the local or regional government do not stipulate who makes decisions on guarantees (Article 91(3))

36. if the local or regional government issues a guarantees without obtaining the prior consent of the Finance Minister (Article 91(4))

37. if the newly-organized local or regional government incurs debt, grants consent or issues a guarantee for borrowing prior to regulation of mutual property rights matters in compliance with the Local and Regional Government Act (Article 92(1))

38. if, after the regulation of mutual property rights matters, debt is incurred and guarantees are issued by a local or regional government which, as at 31 December of the year when the preceding local or regional government ceased functioning, surpassed the limit for borrowing and issuing guarantees according to Article 88 of this Act (Article 92(2))

39. if he/she does not proceed in compliance with the responsibilities for planning and executing his/her portion of the budget, collection of revenues and receipts under his/her jurisdiction and their payment into the budget, the assumption of liabilities, the verification of liabilities, the issuing of payment orders at the expense of budgetary funds of the bodies he/she administers and ascertainment of the right to collection and the issuing of collection orders to the benefit of budgetary funds, or if he/she fails to implement transfer of authority while observing the principle of separation of duties (Article 95(1) and (3))

40. if he/she fails to delineate duties by observing the principle of separation of duties (Article 96)

41. if he/she fails to organize and does not conduct budgetary accounting in a lawful and proper manner, or if he/she entrusts the performance of budgetary accounting to an unauthorized and/or unprofessional authorized organization or individual (Article 101(1) and (2))

42. if financial statements are not compiled by the individual managing the accounting department of the local or regional government or budget user or the person to whom
accounting tasks have been entrusted and if the statements are not signed and submitted by the accountable official of the local or regional government or budget user or the person authorized thereby to sign the financial statements (Article 101(3) and (4))

43. if the local or regional government or budget user have no operating ledgers – journal, main ledger and auxiliary ledgers (Article 102(1))

44. if accounting documents and their handling are not credible, accurate and proper accounting documents (Article 103(2))

45. if the financial statements are not compiled and if they do not clearly present data on the status and structure and changes in value and extent of assets, own sources, revenues, expenditure, receipts and outlays, or cash flows and if financial statements are not compiled for a period during the course of the budget year and for the current budget year (Article 105(1), (2) and (3))

46. if the financial statements for the period during the course of the budget year are not maintained until submission of the financial statements for the same period in the subsequent year, or if the annual financial statement is not permanently maintained in its original form (Article 105(4))

47. if the budget user does not draft and does not submit the financial statements in compliance with the rules referred to in Article 100 of this Act (Article 105(5))

48. if ministries and other state bodies at the heading level do not consolidate the financial statements of budget users who are, according to organizational classification, under their jurisdiction with their own financial statement and do not compile a consolidated financial statement and do not submit it to the Ministry of Finance, or if a local or regional government does not consolidate the financial statements of budget users that are, according to organizational classification, under its jurisdiction with its own financial statement and does not compile a consolidated financial statement and submit it to the Ministry of Finance (Article 107(1) and (2))

49. if the content of the semi-annual central budget execution report and the annual budget execution report does not comply with Article 108(1), (2), (3), (4) and (5) of this Act (Article 108)

50. if the annual budget execution report is not submitted to the Ministry of Finance and State Audit Office by a local or regional government within a period of 15 days after it is approved by the representative body of the local or regional government or, if the representative body does not approve it, within a period of 60 days after the date of its submission to the representative body (Article 112)

51. if he/she does not participate in the oversight procedure and does not provide the requested documentation for inspection (Article 120)

52. if he/she prevents the unimpeded performance of budgetary oversight by securing suitable conditions for work (Article 120(2)).

Article 126

A violation by the accountable person of the extra-budgetary user shall carry a fine of HRK 50,000.00 to 100,000.00:

1. if the extra-budgetary user incurs debt and issues a guarantee contrary to the conditions established by the Government in a decision proposed by the Finance Minister, or above the total level of borrowing and issued guarantees established by budget execution regulations for a given year (Article 93(1) and (2))
2. if the extra-budgetary user of the budget of a local or regional government incurs debt or issues a guarantee without the consent of the local or regional government (Article 94(1) and (2))

3. if the extra-budgetary user does not draft and does not submit to the Ministry of Finance the semi-annual and annual budget execution reports by 30 July of the current year, or 31 March of the current budget year (Article 111(1)).

**Article 127**

A violation by the accountable person of a public partner shall carry a fine of HRK 50,000.00 to 100,000.00:

1. if the public partner concludes a public-private partnership agreement and the total annual amount of all compensation that the public partner pays to private partners on the basis of all public-private partnership agreements exceeds 25 percent of the budgetary revenues in the preceding year less capital revenues or if the public partner fails to obtain the opinion of the Ministry of Finance and other bodies according to special regulations governing public-private partnerships (Article 89)

**Article 128**

A violation by the budgetary oversight inspector shall carry a fine of HRK 50,000.00 to 100,000.00:

1. if he/she fails to maintain the confidentiality business and professional secrets and classified data to which he/she gains knowledge during the course of oversight and other tasks under his/her jurisdiction in compliance with the established degree of confidentiality (Article 122).

**Article 129**

A violation by the accountable person of the budget and budget user shall carry a fine of HRK 10,000.00 to 20,000.00:

1. if revenues, receipts, expenditure and outlays are not shown according to budgetary classification (Article 21(1) and (2))

2. if a local or regional government fails to notify the Ministry of Finance of a concluded agreement within a period not to exceed 8 days after the date of its conclusion, or it fails to notify the Ministry of Finance within the budget year, quarterly, by the tenth day of the month for the preceding reporting period, of the repayment of a loan for which it obtained the Government’s consent (Article 87(8) and (9))

3. if a local or regional government fails to notify the Ministry of Finance of consents within a period not to exceed 8 days after the date of granted consent, and concluded agreements on borrowing by legal persons and institutions within a period not to exceed 8 days after the date of their conclusion or if a local or regional government fails to notify the Ministry of Finance within the budget year, quarterly, by the tenth day of the month for the preceding reporting period, of the repayment of a loan based on an agreement on borrowing by the legal persons and institutions referred to in paragraph (2) of this Article (Article 90(4) and (5))

4. if a local or regional government fails to notify the Ministry of Finance of a concluded guarantee agreement within a period of 8 days after the date of its conclusion or if the local or regional government fails to notify the Ministry of Finance within the budget year, quarterly,
by the tenth day of the month for the preceding reporting period on the status of active guarantees for which consent has been granted.(Article 91(6) and (7)).

XV. TRANSITIONAL AND FINAL PROVISIONS

Article 130

As of the date of entry into force of the Amendments to the Local and Regional Governments Act (as published in the OG 109/07):

– in Article 3(19) of this Act, the words: “executive body of the municipality, City of Zagreb, city and county (hereinafter: local or regional executive body)” shall be replaced with the words: “the municipal chief official in a municipality, the mayor in a city, and a prefect in a county (hereinafter: municipal mayor, city mayor, or prefect)”

– in Article 14(2) of this Act, the words “or the chief official of the local or regional executive body” shall be deleted,

– in Article 57(1) of this Act, the words: “or the chief official of the local or regional executive body” shall be deleted,

– in Article 57(3) of this Act, the words: “and the chief official of the local or regional executive body” shall be replaced with the words: “and the municipal mayor, city mayor shall inform the representative body”

– in the entire text of this Act, the word: “local or regional executive body” and “chief official of the local or regional executive body” shall be replaced with the words: “municipal mayor, city mayor, or county prefect” in the appropriate grammatical case.

Article 131

(1) The Government shall adopt the directive referred to in Article 45(3), Article 68(7) and Article 123(4) of this Act within a period not to exceed 120 days after the date of entry into force of this Act.

(2) The rules referred to in Article 55(4), Article 80(4) and Article 108(4) of this Act shall be adopted by the Finance Minister within a period not to exceed 60 days after entry into force of this Act.

(3) The rules referred to in Article 2(3), Article 21(3), Article 87(6), Article 100(1) and (2), Article 115(4), and Article 121(3) of this Act shall be adopted by the Finance Minister within a period not to exceed 30 days after entry into force of this Act.

Article 132

Until the entry into force of the regulations referred to in Article 131(2) and (3) of this Act, the following regulations shall remain effective insofar as they do not contradict the provisions of this Act:

1. Rules on the establishment of budget users and maintenance of the register of budget users (OG 80/04),
2. Rules on budgetary classifications (OG 94/07)
3. Instructions on state budget execution from the consolidated treasury account (OG 4/01),
4. Rules on borrowing procedures by local and regional governments and issuing of guarantees by local and regional governments (the OG 55/04),
5. Rules on budgetary accounting and the chart of accounts (the OG 27/05 and 127/07),
6. Rules on financial reporting in budgetary accounting (the OG 27/05 and 2/07),
7. Rules on budgetary oversight (the OG 42/04 and 6/06),
8. Rules on the official badges of budgetary oversight inspectors (the OG 42/04).

Article 133
The provisions of Article 57(2), Articles 58, 59, 60, 61 and 140, sub-paragraphs 31, 32, and 33 of the Budget Act (the OG 96/03) shall be applied to budgetary funds established prior to the entry into force of this Act.

Article 134
As of the entry into force of this Act, the validity of the following shall cease:
1. Budget Act (the OG 96/03),
2. Directive on Budgetary Accounting (the OG 96/94, 108/96, 119/01 and 74/02),
3. Directive on the Treasury General Ledger System and Methods for Maintenance of the Consolidated Treasury Account (the OG 97/95),
4. Rules on measures for the use of revenues of budget users generated on the market in the performance of core and other activities (the OG 146/98).

Article 135
This Act shall be published in the Official Journal of the Republic of Croatia and it shall enter into force on 1 January 2009.

Transitional and final provisions from OG 136/12

Article 43
(1) The directive specified in Article 17, Article 25 and Article 41 of this Act shall be adopted by the Croatian Government within a period not to exceed 180 days after the entry into force of this Act.
(2) The rules specified in Article 10 of this Act shall be adopted by the Finance Minister within a period not to exceed 120 days after the date of entry into force of this Act.
(3) Until the entry into force of the directive referred to in Article 25 of this Act, the Directive on the Criteria, Measures and Procedures for Deferred Payment, Instalment Payment of Debt and Sale, Write-off or Partial Write-off of Receivables (the OG 76/12.) shall be applied.

Article 44
(1) This Act shall enter into force on the date of its publication in the Official Journal of the Republic of Croatia, except Articles 4, 5, 6, 7, 8, 9, 10, 11, 18, 19, 20, 26 and 35, which shall enter into force on 1 January 2013.
(2) Articles 4, 5, 6, 7, 8, 9, 10, 11 and 18 shall be applied to budgetary processes, beginning in 2013, pertaining to the drafting and enactment of budgets and financial plans for 2014 and projections for 2015 and 2016 and beyond.

(3) The provisions of Articles 16, 23, 24, 29, 32, 33, 34, 38 and 46 of the Budget Act (the OG 87/08) shall be applied to budgetary processes pertaining to the drafting and enactment of budgets and financial plans for 2013 and projections for 2014 and 2015 and amendments to budgets and financial plans for 2013.

**Transitional and final provisions from OG 15/15**

**Article 34**
The Croatian Government shall align the Directive on the Criteria, Measures and Procedures for Deferred Payment, Instalment Payment of Debt and Sale, Write-off or Partial Write-off of Receivables (the OG 52/13 and 94/14) with the provisions of this Act within a period not to exceed 90 days after the entry into force of this Act.

**Article 35**
The Finance Minister shall align the Rules on Budgetary Accounting and the Chart of Accounts (the OG 124/14) with the provisions of this Act within a period not to exceed 60 days after the date of entry into force of this Act.

**Article 36**
(1) Article 1, 2, 4, 5, 6, 7, 8, 9, 10, 11 and 13 of this Act pertaining to the drafting and enactment of budgets and financial plans shall be applied to budgetary processes which are associated with the drafting and enactment of budgets and financial plans for 2016 and projections for 2017 and 2018 and beyond.

(2) The provisions of Articles 2, 3, 23, 24, 25, 26, 27, 31, 35, 36 and 40 of the Accounting Act (the OG 87/2008 and 136/2012) shall be applied to budgetary processes associated with the drafting and enactment of amendments to the budgets and financial plans for 2015.

(3) Articles 12 and 21 of this Act shall be applied to the budgetary processes associated with the drafting and enactment of budgets and financial plans for 2017 and projections for 2018 and 2019 and beyond.

(4) Article 17 of this Act shall be applied to the transfer of unexpended own revenues from 2014 into 2015 and beyond.

**Article 37**
This Act shall enter into force on the date of its publication in the Official Journal of the Republic of Croatia, except Article 12, Article 21 and Article 23(3) which shall enter into force on 1 January 2016, and Article 23(1), which shall enter into force on 1 January 2018.