

#### 4. 収集資料

##### 収集資料

新予算法案 (Budget Law of Mongolia。審議中。)

公共セクター管理・財政法 Public Sector Management and Finance Law(抜粋・仮訳 (和文) 及び仮英訳)

政府決議第 46 号(2009 年 2 月 11 日)「大蔵省の業務活動戦略及び構造改革の許可、組織体制の承認について」(抜粋・仮訳)

大蔵大臣命令第 177 号「大蔵省の長期活動計画の更新について」(抜粋・仮訳)

大蔵省内部監査・業績モニタリング局による 2011 年のアウトプットベース業務活動計画

(以下、モンゴル語資料)

2010 年 5 月 20 日大蔵大臣命令第 116 号

内部監査実施指導書及び添付書類 (実施指導書 (監査プログラム) 様式、報告書様式、発見事項記入様式、予算、国庫、調達に関する指導書)

July ..., 2011**BUDGET LAW OF MONGOLIA****CHAPTER ONE****General provision****Article 1. Purpose of the Law**

1.1. The purpose of this Law is to regulate the relations that may arise out of or in connection with setting out the budget principles and regulating special fiscal requirements, defining authorities, roles and responsibilities of public institutions that participate in the budget process, and budget preparation, budget approval, spending, accounting, reporting and auditing.

**Article 2. Legislation**

2.1. The legislation applicable to the budget system of Mongolia shall consist of the Constitution of Mongolia, the Fiscal Stability Law, this Law, and any other legislative acts enacted in accordance with this Law.

**Article 3. Scope of the Law**

3.1. This Law applies to budget entities, officials, government and local special fund, fully and partly state and locally owned bodies that provide works and services related to the functions of the state on the contractual basis and are obliged to generate revenues to the budget in accordance with legislation.

3.2. Provisions and clauses on program planning, performance agreement, and its execution shall not apply to the budget of intelligence body, and budgets of other organizations specified by Law.

3.3. Provisions related with transparency of this Law shall not apply to the budget of state secret in accordance with respective legislation and to the executive functions of body specified in provision 3.2 of this Law.

3.4. Budget relations shall be regulated only by this Law and it shall also be applicable for any relations that arise in connection with legalising establishment of level of financing sources for local government and sector activities and their distribution.

**Article 4. Definitions of terms used in this Law**

4.1. Definitions of terms used in this Law shall be understood as meanings explained below:

0.0.1. **“special fiscal requirements”** means the definition as specified in Article 6 of the Law on Fiscal Stability;

0.0.2. **“medium term”** means the definition as specified in Provision 4.1.9 of the Law on Fiscal Stability;

0.0.3. **“medium term fiscal framework statement”** means the definition as specified in Provision 4.1.10 of the Law on Fiscal Stability;

4.1.4. **"budget proposal"** means a budget proposal prepared for each budget level using the budget classification fitting within the medium term fiscal framework statement that is submitted by the Government to the State Great Khural and to the Citizens' Representative Assembly of the respective level by all level Governors.

4.1.5. **"budget"** means mix of assets, revenues, expenditures, liabilities, financial commitments and obligations where funds are generated, allocated and spent within the authority of the state, related financial activities, activities to be implemented, inputs required for them and expected outcomes with the purpose of generating financial sources required for implementation of state functions.

4.1.6. **"state budget"** means the total of budget approved by the State Great Hural to be mobilised and executed by the Government and general budget governors of the state budget,

4.1.7. **"baseline budget"** means a budget where expenditures and revenues are projected assuming no legal or policy change in the year of budget implemented and adjusted for macroeconomic assumptions.

4.1.8. **"budget expenditure ceiling"** means the maximum amount of expenditure and minimum amount of revenue that is to be used by Budget governors in preparation of his budget for the particular fiscal year in conformity with special fiscal requirements and medium term fiscal framework statement;

4.1.9. **"budget revenue"** means revenues to be generated into state and local budgets in accordance with the legislation and revenues generated from budget entities' own operations;

4.1.10. **"budget expenditure"** means funds allocated from the approved budget for financing activities, programs, projects and measures of budget governors;

4.1.11. **"budget balance"** means an indicator to be defined by the difference between total amount of expenditure and budgetary revenue of a particular fiscal year;

4.1.12. **"budget surplus"** means revenues that exceed expenditure;

4.1.13. **"budget deficit"** means expenditures that exceed revenues;

4.1.14. **"receipt"** means all types of inflow transactions from external parties excluding internal transactions of the particular body;

4.1.15. **"outlays"** means all types of **outflow** transactions excluding internal transactions of the particular body;

4.1.16. **"program"** means a set of closely related activities combined for the purposes of budget allocation and aimed at implementing government functions which performance are reportable and assessable;

4.1.17. **"activity"** means work and services produced as a part of a program which is specified by criteria such as quantity, quality and timing ;

4.1.18. **"input"** means tangible and intangible resources required for implementing work and services;

4.1.19. **"aggregate economic classification"** means grouping of number of economic items of detailed economic classification;

4.1.20. **"detailed economic classification"** means primary line items of economic classification;

4.1.21. **"financial support"** means funds to be allocated to finance budget deficits;

4.1.22. **“revenue transfer”** funds to be allocated from the state budget revenue to the local budget to support local budget;

4.1.23. **“special purpose transfers”** means funds to be allocated from state budget to aimag and capital city budgets in accordance with the specially determined purpose, condition and requirements to finance functions specified in 58.1 of this Law.;

4.1.24. **“investment”** means capital expenditures to be financed from the budget and to be transferred into the ownership of a legal body who belong the budget of the relevant level (a particular part of the unified budget);

4.1.25. **“tax expenditures”** mean tax discounts and exemptions to taxpayers in the particular year in accordance with tax laws;

4.1.26. **“supplementary budget”** means making amendments and changes to the decisions that approved the authorized entities' budgets;

4.1.27. **“local budget ”** means the total of budget approved by aimag, capital city, soum and district's Citizens' Representative Assemblies to be mobilised and executed by the respective general budget governors;

4.1.28. **“General local development fund”** means funds reallocated from the state budget to local budgets in order to support local development and to ensure equity of regions;

4.1.29. **“base revenue of local budget”** means sum of non-tax revenues and revenues estimated with minimum rate and amount of taxes to be generated into the budget of the relevant level;

4.1.30. **“base expenditure of local budget”** means sum of recurrent and capital expenditures related with functions stated in 57.1.1, 57.2.1, 57.3.1 and 57.4.1 of this Law and recurrent expenditures related with functions stated in 57.1.4, 57.1.14, 57.2.4, 57.2.13, 57.3.2, 57.3.5, 57.4.2 and 57.4.6 of this law;

4.1.31. **“basic local budget deficit”** means base expenditure that exceeds base revenue of local budget;

4.1.32. **“Social Insurance funds' budget,** means the budget approved by the State Great Khural and generated and spent in accordance with the Law on Social Insurance;

4.1.33. **“Human development Fund budget”** means the budget approved by the State Great Khural and generated and spent in accordance with the Law on Human Development Fund;

4.1.34. **“budgetary entity” means** state or locally owned, non-profit legal body who provides work and services related with functions of the state in accordance with the approved budget and registered by the central administrative body responsible for finance and budget matters in accordance with provision 7.1.3 of this law.

4.1.35. **“budget governor”** means general, central and direct budget governors;

4.1.36. **“general budget governor”** means an official who is authorized to plan budgets for the area within his authority, allocate, oversee and manage approved budgets in accordance with the legislation and report on budget execution;

4.1.37. **“central budget governor”** means an official who is authorized to plan budget for functions which were allocated by the general budget governor, re-allocate it to a direct budget governor,

oversee, and manage budget resources in accordance with the legislation and report on budget execution;

4.1.38. **“direct budget governor”** means an official who is authorized to plan and manage budget resources for functions allocated by a general budget governor or central budget governor, and report on budget execution;

4.1.39. **“Undertaker of work and services that belong to state functions”** means a body who undertakes work and services that belong to state functions on the basis of agreement and takes sole responsibility for quality, quantity and outcome of the work and services;

4.1.40. **“treasury functions”** means administering government’s budget, cash and liability management, processing payments (disbursement) and reporting budget executions;

4.1.41. **“treasury single account”** means general budget account with Government’s general coordination and cash accounts of all budget governors who belong to the unified budget of Mongolia which are located in Mongol bank;

4.1.42. **“general budget account”** means an account to record cash transactions of the respective level’s budget.

4.1.43. **“spending authorization”** means maximum amount of budgetary entity to spend on monthly and quarterly basis within its approved budget;

4.1.44. **“Government debt management”** means activities for developing and implementing strategies for determining government’s medium and short term financial costs and risk levels;

4.1.45. **“Public Debt ”** means the definition as specified in Provision 4.1.8 of the Law on Fiscal Stability;

4.1.46. **“Contingent liability”** means risks expressed in money term that may occur due to maintaining government guarantees or ensuring national securities, and political, social, economic, and financial stabilities;

4.1.47. **“internal audit”** means independent activities of internal budget control aimed at effective and efficient usage of budget resources and providing with risk management.

4.1.48. **“revolving fund”** means an account where expenditures specified in the law can be financed from the revenue generated by sources specified in the law and which balance is not mobilized into the budget at the end of the year.

## CHAPTER TWO

### Budget principles and its adoption

#### Article 5. Budget Principles

5.1. The following principles shall be followed in the budget planning, approval, implementation and reporting processes:

5.1.1. Ensure fiscal stability;

5.1.2. Ensure comprehensiveness and accuracy of the budget;

5.1.3. Efficient financial and fiscal management;

5.1.4. Ensure fiscal transparency; and

5.1.5. Ensure accountability;

## **Article 6. Adopting budget principles**

6.1. Respective body and budget governor shall be responsible for following the budget principles in the budget planning, approval, implementation and reporting processes.

6.2. The principle of ensuring fiscal stability stated in provision 5.1.1 of this Law shall be followed as outlined below:

6.2.1. Follow the special fiscal requirements specified in the Fiscal Stability Law.

6.2.2. Plan, approve and execute annual budget expenditures in such a way that they are covered fully by budget revenues and financing sources.

6.2.3. In case if fiscal deficits increase due to decrease in budget revenues or increase in budget expenditures caused by unforeseen circumstances, balance the budget by amending the particular year's budget through decreasing budget expenditures or increasing revenue sources.

6.2.4. Any decisions made by the President of Mongolia, the State Great Khural of Mongolia, self governing body of the local government, the Government or Governor shall be based on the assessment of its effects on the budget.

6.2.5. If policy decisions on reducing revenues and increasing expenditures are made in the middle of the fiscal year, these decisions shall get into effect starting from the following year.

6.3. The principle of ensuring comprehensiveness and accuracy of the budget stated in provision 5.1.2 of this Law shall be followed as outlined below:

6.3.1. Plan and report transactions related with budget revenues, expenditures, assets and liabilities on a gross basis.

6.3.2. Record and report any financial transactions in a timely and accessible manner with accuracy in accordance with the accounting standards of Mongolia expressing them in the national currency.

6.3.3. In the budget present activities related with Government guarantee secured by budget revenues, loans, and agreements and activities related with all types of financial obligations.

6.3.4. Any revenues, sources, loans, donations, and grants made newly available during the budget year or expenditures financed by them shall be part of budgets.

6.4. The principle of ensuring effective fiscal management stated in provision 5.1.3 of this Law shall be followed as outlined below:

6.4.1. Plan and spend budgets on efficient and economical way.

6.4.2. Not to finance programs or activities that do not belong to state functions.

6.4.3. Consider to engage citizens, entities or non-government organizations in delivery of programs or activities if these programs or activities can be carried out by them.

6.4.4. Unless otherwise specified in the law, through open and competitive procedures select a body who shall deliver any goods or services.

6.4.5. A budget governor shall not make budget revenue as collateral or guarantee.

6.4.6. Unless otherwise specified in the law, do not assign purposefully budget revenues to anybody or any activities.

6.4.7. Any activities, programs, and measures to be undertaken by the state, or tax imposition or its discount, guarantees, loans, liabilities, financial activities, or contingent liabilities as well as their outcomes shall not create inequality for current and future generations.

6.4.8. Efficiently manage finance and budget, and avoid incurring receivables and liabilities.

6.5. The principle of ensuring fiscal transparency stated in provision 5.1.4 of this Law shall be followed as outlined below:

6.5.1. Make budget discussion and approval process open to public and make information on budget plan, execution and reporting publicly available in a timely manner and with simple presentation.

6.5.2. Ensure community participation in budget planning, generation, allocation and reporting processes.

6.5.3. Provide public with possibilities to oversee the budget process if budget is executed and spent as an approved plan.

6.5.4. Provide public with possibilities to oversee any work or services delivered by the state and procurement of goods and services within these works and services.

6.5.5. Consider public opinion in making decisions on priorities, sequences and means for implementing programs, projects and activities.

6.5.6. An authority shall inform public on how comments and opinions of citizens and non government organizations are reflected in his/her decisions and the result of his/her actions on ensuring public participation in the budget activities in each case.

6.6. The principle of ensuring accountability stated in provision 5.1.5 of this Law shall be followed as outlined below:

6.6.1. A budget governor shall be accountable to an institution or an official who appoints him/her or to an upper level budget governor on budget matters.

6.6.2. A budget governor shall get budget matters resolved through the respective upper level budget governor.

6.6.3. Budget governor may delegate to lower level budget governors some of their authorities however, such delegation shall not limit the accountability of Budget governor for exercise of those powers.

6.6.4. If budget governor, within his/her authority granted by this Law, makes amendments to the particular year's budget during the fiscal year, he/she shall report its execution in comparison with the initial approved objectives and outcomes.

6.6.5. If responsibilities other than the ones assigned by this law are assigned in the local budget by other laws, these responsibilities are transferred along with their financing.

6.6.6. Functions to be financed from the appropriate part of the relevant level's budget as defined in the law shall be financed only from their part of the relevant level's budget.

## **Article 7. Fiscal year**

- 7.1. A fiscal year starts on January 1 and will end December 31.
- 7.2. A fiscal year can have a name and motto.
- 7.3. A fiscal year is divided into months, quarters, half year and full year;
- 7.4. Budget is approved and reported on an annual basis and approved budget is appropriated and implemented on a monthly and quarterly basis.
- 7.5. Budget execution statement shall be prepared on a monthly basis and financial and budget execution reports shall be prepared on a quarterly, half yearly and yearly basis.
- 7.6. Preparatory work for implementing approved budget can be started from the date when the budget is approved by the respective authority.
- 7.7. With the start of the fiscal year budget governor's authorization to spend for the corresponding year's budget shall be commenced.
- 7.8. Apart from the cases specified in Article 42 of this Law, with the end of the fiscal year budget governor's authorization to spend for the fiscal year's budget will lapse. Unused balance of the budget governor's budget shall be mobilized into general budget account of the respective part of the relevant level's budget.
- 7.9. If business cycle of the particular sector's budget implementation is different from the fiscal year due to specificity of its activities, budget planning shall be regulated with the procedure approved by the Cabinet Member in charge of finance and budget matters.

#### **Article 8. Budget calendar**

8.1. Medium Term Fiscal Framework Statement shall be prepared and approved in accordance with the following calendar:

8.1.1. The Central Administrative Body responsible for finance and budget matters shall submit the draft Medium Term Fiscal Framework Statement to the Government no later than the 15<sup>th</sup> April of each year.

8.1.2. The Government shall discuss and submit the Medium Term Fiscal Framework Statement to the State Great Khural no later than the 1<sup>st</sup> of May of each year.

8.1.3. The State Great Khural shall discuss and approve the Medium Term Fiscal Framework Statement no later than the 1<sup>st</sup> of June of each year.

8.1.4. The State Great Khural shall publish the Medium Term Fiscal Framework Statement within 7 working days after its approval.

8.2. General guidelines for socio economic development shall be prepared and approved in accordance with the following calendar:

8.2.1. Administrative body responsible for development policy and planning matters shall prepare and submit to the Government a proposal on the general guidelines for socio economic development within the 1<sup>st</sup> of April of each year.

8.2.2. The Government shall review the proposal on the general guidelines for socio economic development against the medium term fiscal framework statement and submit it to the State Great Khural by the 1<sup>st</sup> of May;

8.2.3. The State Great Khural shall approve the general guidelines for socio economic development in its spring session.

8.3. General budget governor's budget ceilings based on the Medium Term Fiscal Framework Statement shall be prepared and approved in accordance with the following calendar:

8.3.1. General budget governor shall submit his/her proposal on budget ceiling based on the Medium Term Fiscal Framework Statement to the Central Administrative Body responsible for finance and budget matters by the 10<sup>th</sup> of June of each year.

8.3.2. The Central Administrative Body responsible for finance and budget matters shall consolidate and prepare draft budget ceilings of general budget governors and submit it to the Government by the 20<sup>th</sup> of June of each year.

8.3.3. The Government shall discuss and approve draft budget ceilings of general budget governors by the 1<sup>st</sup> of July of each year.

8.3.4. The Central Administrative Body responsible for finance and budget matters shall deliver to general budget governors annual budget ceiling approved by the Government along with the budget guideline by the 5<sup>th</sup> of July of each year.

8.4. State budget, Social Insurance Fund budget and Human Development Fund budget shall be prepared and approved in accordance with the following calendar:

8.4.1. Direct budget governor who reports to the Central budget governor shall submit his/her annual budget proposal to the respective central budget governor by the 25<sup>th</sup> of July of each year.

8.4.2. Central budget governor and those direct budget governors who do not report to him/her shall submit his/her annual budget proposal to the respective General budget governor by the 1st of August of each year.

8.4.3. General budget governor shall submit his/her budget proposal to the Central Administrative Body responsible for finance and budget matters by the 15<sup>th</sup> of August of each year.

8.4.4. The Central Administrative Body responsible for finance and budget matters shall consolidate and prepare annual budget proposals and submit it to the Government by the 15<sup>th</sup> of September of each year.

8.4.5. The Government shall submit the annual budget proposal to the SGH by the 1<sup>st</sup> of October of each year.

8.4.6. The Government shall publish the annual budget proposal within three working days after its submission to the SGH.

8.4.7. The State central audit body shall present its opinion on the annual budget proposal to the SGH by the 15<sup>th</sup> of October of each year.

8.4.8. The SGH shall discuss and approve the annual budget proposal by the 15<sup>th</sup> of November of each year.

8.5. Aimag and capital city's annual budget shall be prepared and approved in accordance with the following calendar:

8.5.1. Aimag and capital city governor shall submit the budget proposals of the relevant level to the respective Assembly by the 25<sup>th</sup> of November of each year.

8.5.2. Aimag and capital city's Citizens Representative Assembly shall discuss and approve the respective annual budget proposal by the 5<sup>th</sup> of December of each year.

8.5.3. Soum and district governor shall submit budget proposals of the relevant level to the respective Assembly by the 10<sup>th</sup> of December of each year.

8.5.4. Soum and district's citizens Representative Assembly shall discuss and approve the respective annual budget proposal by the 20<sup>th</sup> of December of each year.

8.5.5. Aimag and capital city Governors shall submit approved annual budgets of the relevant level to the Central Administrative Body responsible for finance and budget matters by the 31<sup>st</sup> of December.

8.6. Monthly and quarterly budget allotment schedules for the State Budget, Social Insurance Fund budget and Human Development Fund budget shall be prepared and approved in accordance with the following calendar:

8.6.1. Central budget governor and direct budget governor shall submit their budget allotment schedule proposals to their respective general budget governor by the 15<sup>th</sup> of December of each year.

8.6.2. General budget governor shall submit his/her budget allotment schedule to the Central Administrative Body responsible for finance and budget matters by the 25<sup>th</sup> of December.

8.6.3. Cabinet Member in charge of finance and budget matters shall approve the budget allotment schedule for the Central Budget, Social Insurance Fund budget and Human Development Fund budget by January 1 of each year.

8.7. Monthly and quarterly budget allotment schedules for Aimag and capital city annual budget shall be prepared and approved in accordance with the following calendar:

8.7.1. Aimag and capital city governors shall approve the relevant level's budget allotment schedule by the 20<sup>th</sup> of December of each year.

8.7.2. Aimag and capital city governors shall submit his/her budget allotment schedule to the Central Administrative Body responsible for finance and budget matters by the 31<sup>st</sup> of December.

8.8. Monthly and quarterly budget execution report for the State Budget, Social Insurance Fund budget, Human Development Fund budget and Aimag and capital city's budgets shall be prepared and approved in accordance with the following calendar:

8.8.1. Direct budget governor shall submit monthly and quarterly budget execution report to the respective central budget governor by the 2<sup>nd</sup> day of each month.

8.8.2. Central budget governor and special funds shall submit monthly budget execution report to the general budget governor by the 4<sup>th</sup> day of each month.

8.8.3. General budget governor shall submit monthly budget execution report to the Central Administrative Body responsible for finance and budget matters by the 6<sup>th</sup> day of each month.

8.8.4. The Central Administrative Body responsible for finance and budget matters shall approve monthly unified budget execution reports by the 8<sup>th</sup> of each month

8.8.5. The Central Administrative Body responsible for finance and budget matters shall publish monthly unified budget execution reports by the 15<sup>th</sup> of each month.

8.9. Quarterly, semi-annually and annual budget execution reports for the State Budget, Social Insurance Fund budget, Human Development Fund budget and local budgets, and consolidated financial statements of general budget governors shall be prepared in accordance with the following calendar:

8.9.1. Direct budget governors shall prepare and submit quarterly budget execution reports and financial statements by the 15<sup>th</sup> of the first month of the next quarter to the respective upper level budget governors, submit annual budget execution reports and financial statements by the 25<sup>th</sup> of January of the following year to state audit bodies and audited financial statements to the respective upper level budget governors by the 25<sup>th</sup> of February.

8.9.2. Central budget governor shall prepare and submit semi-annual budget execution report and consolidated financial statements to the general budget governor no later than 25<sup>th</sup> of July, annual budget execution report and financial statement to state audit body no later than the 5<sup>th</sup> of March and audited reports to the General budget governor no later than the 25<sup>th</sup> of March.

8.9.3. A body responsible for soum and district budget matters shall prepare and submit semi-annual budget execution reports and consolidated financial statements to the upper level respective general budget governor by the 25<sup>th</sup> of July, annual budget execution reports and consolidated financial statements to the state audit body by the 5<sup>th</sup> of March of the following year and audited annual reports by the 25<sup>th</sup> of March of the following year to the respective upper level general budget governor.

8.9.4. Aimag and capital city general budget governor shall submit budget execution reports and financial statements by the 1<sup>st</sup> of April to state audit body and audited statements by the 20<sup>th</sup> of April to the State Central Administrative body responsible for finance and budget matters.

8.9.5. General budget governor shall submit semi-annual budget execution report and consolidated financial statements by the 15<sup>th</sup> of August, annual budget execution reports and consolidated financial statements by the 5<sup>th</sup> of April of the following year and audited annual statements by the 25<sup>th</sup> of April of the following year to the State Central Administrative body responsible for finance and budget matters.

8.9.6. The State Central Administrative body responsible for finance and budget matters shall submit financial statement of the treasury to the state central audit body by the 10<sup>th</sup> of April of each year.

8.10. The unified budget execution reports and Government's consolidated financial statement shall be prepared in accordance with the following calendar:

8.10.1. The State Central Administrative body responsible for finance and budget matters shall submit unified budget execution reports and Government's consolidated financial statement to the state central audit body by the 10<sup>th</sup> of May of each year.

8.10.2. The state central audit body shall conduct audits of unified budget execution reports and Government's consolidated financial statement within one month and submit its audit opinion to the Government and the SGH.

8.10.3. The Government shall submit the budget execution report and consolidated financial statement along with audit opinion to the State Great Khural within one week of the audit opinion specified in 8.10.2 of this Law.

8.10.4. The State Great Khural shall discuss and approve the unified budget execution report with the particular year.

8.10.5. The State Central Administrative body responsible for finance and budget matters shall publish budget execution report and audited consolidated financial statement.

## **CHAPTER THREE**

### **Authorities and Responsibilities of state institutions and officials on budget**

#### **Article 9. Authorities of State Great Khural**

9.1. The State Great Khural has the following authorities and responsibilities:

9.1.1. Approve the Medium Term Fiscal Framework Statement as stated in provision 9.1.1 of the Fiscal Stability Law;

9.1.2. Approve the state general guidelines for socio-economic development, state budget, social insurance fund budget, Human Development fund budget and their amendments prepared in conformity with the Medium Term Fiscal Framework Statement;

9.1.3. Discuss unified budget execution;

9.1.4. Approve execution of state budget, Social insurance fund budget, and Human Development fund budget;

9.1.5. Oversee spending and result of the budget funds; and

9.1.6. Authorize issue of Government securities.

## **Article 10. Authorities of Government**

10.1. The Government has the following authorities :

10.1.1. Submit Medium Term Fiscal Framework Statement to the State Great Khural;

10.1.2. Approve budget expenditure ceiling by each General budget governor within the constraints of the Fiscal Framework Statement approved by the State Great Khural;

10.1.3. Submit General guidelines for socio-economic development, annual budget proposal and supplementary budget proposal prepared in conformity with the Government Action Program and Medium term Fiscal Framework Statement to the State Great Khural;

10.1.4. Approve every General budget governor's procurement plan;

10.1.5. Approve public investment plan

10.1.6. Review if budget proposals meet requirements specified in Article 27 of this law;

10.1.7. Oversee budget execution;

10.1.8. Report on the execution of the unified budget to the State Great Khural;

10.1.9. Issue Government securities upon the approval of the State Great Khural;

10.1.10. Establish, restructure and dissolve budget entities other than those articulated by laws based on State Great Khural's decision;

10.1.11. Ensure efficient management of budget resources and maintain quality requirements for works and services to be produced by budget entities;

10.1.12. Administer government loan and debt management, and develop and implement its strategy;

10.1.13. Approve procedures for preparing, implementing, financing and overseeing of project proposals implemented with public investment;

10.1.14. Reallocate funds within the budget of the general budget governor without adding new projects in the list of investment projects approved by the State Great Khural and linking with their performance progress.

10.2. Non permanent national budget, financial and economic council with 9 members comprised of representatives of private sector, NGOs, professional associations and sector scholars with the purpose of discussing and making assessment on the proposal of budget and economic and social development under the Prime Minister. The charter of the council shall be approved by the Government.

## **Article 11. Authorities of Cabinet member in charge of Finance and Budget**

11.1. The Cabinet member in charge of Finance and Budget has the following authorities:

11.1.1. Get Medium Term Fiscal Framework Statement, budget proposal, supplementary budget proposal and annual budget ceiling discussed at Cabinet meetings;

11.1.2. Approve and issue procedures and instructions on financial and budget management matters under his/her authority;

11.1.3. Set budget expenditure norms and normatives, structure of budgetary entities and standard limit for staffing budgetary entities;

11.1.4. Prepare proposals on improvement of budget and financial management, planning and coordination and submit them to the respective authorities for their consideration;

11.1.5. Approve detailed classification of the budget;

11.1.6. Obtain loans, give permission to obtain loans and issue government guarantees on behalf of the government as authorized by the government according to the relevant laws and regulations;

11.1.7. Provide with comments on draft laws that regulate budget and tax relations on their consistency with fiscal policy documents;

11.1.8. Administer loan and grant management;

11.1.9. Develop and administer debt management and debt management strategy;

11.1.10. Manage treasury functions;

11.1.11. Arrange and manage budget and financial internal audit;

11.1.12. Provide budget execution with general management;

11.1.13. approve, enforce and make changes to monthly and quarterly allotment schedules;

11.1.14. Define terms and conditions for government securities stated in Article 10.1.9;

11.1.15. Allocate program funds to be financed from the state budget according to the approved budget to general budget governors, budgetary entities and other bodies;

11.1.16. Define capital charge amount for the usage of state property;

11.1.17. Approve a procedure for developing local budgets;

11.1.18. Set a general procedure on purpose and spending of governors' reserve funds;

11.1.19. Obtain information required for exercising authorities defined in this law from budgetary entities and other bodies.

## **Article 12. Authorities of Central Administrative Body responsible for finance and budget matters**

12.1. Central Administrative Body responsible for finance and budget matters has the following authorities:

12.1.1. Prepare medium term fiscal framework statement and economic and fiscal projections which will be reflected in it;

12.1.2. Prepare proposals of state budget, Social Insurance Fund budget and Human Development Fund budget and their amendment proposals;

12.1.3. Prepare annual budget ceilings by each general budget governor within the Medium Term Fiscal Framework statement approved by the State Great Khural;

12.1.4. Prepare budget formulation guidelines of the fiscal year following the budget preparation calendar and circulate it to general budget governors;

12.1.5. Prepare government's proposal on supplementary budget;

12.1.6. Monitor budget execution of general budget governors;

12.1.7. Prepare a report on the execution of the unified budget;

12.1.8. Prepare Government's consolidated financial statement in accordance with International accounting standards;

12.1.9. Develop accounting standards of Mongolia in accordance with international accounting standards and ensure its implementation;

12.1.10. Develop a proposal on changing terms and conditions of Government securities and loan, and loan repayment;

12.1.11. Authorize state budgetary bodies to open bank account;

12.1.12. Prepare projections on state outstanding debt and midterm debt services on half yearly basis and release such projections to the media.

12.1.13. Implement central state treasury functions, and place budget resources and reserve fund;

12.1.14. Provide offices responsible for economic, budget and financial matters with professional and methodological management;

12.1.15. Monitor the actual performance of activities provided by budgetary bodies within the authorities of General budget governors and the actual performance of activities to purchase from local budgetary bodies with state budget funds;

12.1.16. Execute budgetary internal audit and inspection functions;

12.1.17. Based on monthly and quarterly budget allotment schedule, issue to the accounts of budget entities authorization to finance and authorization to spend;

12.1.18. Issue a permission to open a bank account beyond the treasury single account and close unauthorised accounts;

12.1.19. In line with budget revenue generation, decrease authorisation to spend and finance within the cash management framework;

12.1.20. Establish and operate an economic, financial and budget policy analysis and research unit;

12.1.21. Administer general information systems on budget planning, budget execution, accounting, and reporting;

12.1.22. Obtain necessary information from budgetary entities and other bodies in order to exercise authorities defined in this Law.

### **Article 13. Authorities of Administrative Body responsible for Development Policy and Planning Matters**

13.1. Administrative Body responsible for Development Policy and Planning Matters has the following authorities:

13.1.1. develop and submit to the Government a general guidelines proposal for socio-economic development,

13.1.2. develop public investment program.

### **Article 14. General budget governors and their authorities**

14.1. Following officials shall act as General budget governors:

14.1.1. Head of the Office of the President in relation to the budget of the President;

14.1.2. *the Speaker* of the State Great Hural in relation to the budgets of the State Great Hural;

14.1.3. Head of organisations who reports directly to the State Great Khural in relation the respective organisation's budgets;

14.1.4. Prime Minister in relation to the budget of organisations within his/her Portfolio specified by Law;

14.1.5. The First Deputy Prime Minister in relation to the budget of organisations within his/her Portfolio specified by Law;

14.1.6. Deputy Prime Minister in relation to the budget of organisations within his/her Portfolio specified by Law;

14.1.7. Head of the Cabinet Secretariat in relation to the budget of the Prime Minister, the budget of the Offices of the First Deputy Prime Minister and Deputy Prime Minister, the budget of the Cabinet Secretariat, and the budget of other organisations within his/her Portfolio specified by Law;

14.1.8. Cabinet Member in relation to the budget of the respective State Central Administrative Body and the budget of other organisations within his/her Portfolio specified by Law;

14.1.9. Head of the Constitutional Court in relation to the budget of the Constitutional Court;

14.1.10. General Judge of the Supreme Court in relation to the budget of the Supreme Court;

14.1.11. Chairman of the Judiciary Council in relation to the budgets of the Secretariat of the Judiciary Council, Aimag, Capital City, Soum, inter-Soum, District's and specialised courts;

14.1.12. General Prosecutor in relation to the budget of all level Prosecutor's office;

14.1.13. General Secretary of the National Security Council in relation to the budget of the National Security Council;

14.1.14. Head of the Anti-corruption agency in relation to the budget of the Anti corruption agency;

14.1.15. Head of the Presidium of Aimag, Capital City, Soum and District's Assembly in relation to the budgets of relevant level Assembly

14.1.16. Head of organisations who reports directly to the assembly in relation to the budget of that organisation;

14.1.17. Governor of the Capital City, aimag, soum and district in relation to the budget of the relevant level of administration except the ones specified in 14.1.15 and 14.1.16 of this Law.

14.2. General budget governor has the following authorities:

14.2.1. Formulation of the budget proposal within the annual budget ceiling;

14.2.2. Determine realistically financing for programs within their legal authority;

14.2.3. Ensure efficient management and execution of the budget within their legal authority;

14.2.4. Within their legal authority prepare investment activities within the annual budget ceiling in line with all types of financial sources for the budget year and medium term;

14.2.5. Maintain normal operation of respective budgetary entities and agencies within their portfolio;

14.2.6. Prepare and submit programs' performance and budget execution reports to the Cabinet Meeting;

14.2.7. Submit consolidated financial statements including financial statements of agencies and budgetary entities, government special funds, and projects implemented with the support of foreign loans and grants to the State Central administrative body in charge of finance and budget;

14.2.8. Oversee implementation of investment projects and activities during the budget execution and report quarterly to the State Central administrative body in charge of finance and budget;

14.2.9. Upon completion of investment projects report on investment spending to the State Central administrative body in charge of finance and budget;

14.2.10. Carry out internal audit within their respective portfolio;

14.3. Ensure appropriate and efficient use of budget expenditures and revenues, and performance execution, and be responsible for his/her budget execution before the State Central administrative body in charge of budget and finance, relevant level Assembly, the Government and State Great Khural.

14.4. General budget governors may delegate to central budget governors or direct budget governors some of their authorities related with budget allocation and execution. The exercise of such delegation shall not limit the accountability of General budget governor for exercise of those powers.

14.5. General budget governors shall have a financial unit, and accountant and officers in charge of budget matters of his/her authority.

## **Article 15. Central budget governors and their authorities**

15.1. General budget governors can have central budget governor under his/her direct supervision who shall have authority to supervise direct budget governors;

15.2. Aimag and capital city governors shall act as central budget governors who received special purpose transfers by agreements as specified in provision 38.1 of this Law.

15.3. The Government shall determine state central budget governors and direct budget governors who shall be under direct supervision of the central budget governors.

15.4. Central budget governors shall have the following authorities in relation to budgets pertained to him/her:

15.4.1. exercise authorities of General budget governors as articulated by Article 14.2.2, 14.2.3, 14.2.5, and 14.2.8 of this Law and authorities of direct budget governors as articulated by Article 16.5 of this Law

15.4.2. Consolidate reports as articulated by Provision 14.2.8 of this Law and submit it to General budget governor.

#### **Article 16. Direct budget governors and their authorities**

16.1. Budgetary entities shall be managed by direct budget governors who shall provide these budgetary entities with efficient operational management and be responsible for their performance.

16.2. The respective general budget governor shall determine direct budget governor for organisations which directly report to the State Great Khural.

16.3. The respective general budget governor shall determine direct budget governor for organisations which directly report to the aimag and capital Citizens' Representative Assembly.

16.4. Following officials shall act as Direct budget governors:

16.4.1. Deputy Head of the Office of the President in relation to the budget of the President and the Office of the President;

16.4.2. General Secretary of the Secretariat of the State Great Hural in relation to the budget of the State Great Hural;

16.4.3. First Deputy Head of the Cabinet Secretariat in relation to the budget of the Prime Minister, offices of the First Deputy Prime Minister and Deputy Prime Minister, and the budget of the Cabinet Secretariat;

16.4.4. State Secretary of the State Central Administrative Body /Ministry/ in relation to the budget of the respective body;

16.4.5. Head of an agency in relation to the budget of the agency;

16.4.6. Head of the Office of the Constitutional Court in relation to the budget of the Constitutional Court;

16.4.7. Head of the Office of the National Security Council in relation to the budget of the Council;

16.4.8. Head of the Office of the High Court in relation to the budget of this Court;

16.4.9. Secretary of the Judiciary Council in relation to the budget of the Secretariat of the Judiciary Council;

16.4.10. Head of the Office of Aimag, Capital City, Soum, inter-soum, District's and specialized courts in relation to the budget of relevant level court;

16.4.11. Head of the Secretariat of the General Prosecutor in relation to the budget of General Prosecutor's office;

16.4.12. Head of the Office of the Aimag and Capital City's Prosecutor in relation to the budget of respective level of Prosecutor's office;

16.4.13. Secretary of the Presidium of Aimag, Capital City, Soum and District Assembly in relation to the budget of relevant level Assembly;

16.4.14. Head of the Office of Aimag, Capital City, Soum and District's Governor in relation to the budget of the Office of relevant level Governor;

16.4.15. Head of the Project Unit which is implemented with the support of the concessional loan and grant through Government in relation to the budget of this project;

16.4.16. Manager of the Government Special Fund in relation to the budget of this fund; and

16.4.17. Head (principal and director) of other budgetary bodies in relation to the budget of this budgetary body.

16.5. Direct budget governor has the following authorities on budget management:

16.5.1. Provide budgetary bodies with day-to-day management;

16.5.2. Manage budget resources and control over their realisation within the performance agreement established with the General budget governor on implementation of programs and approved budget;

16.5.3. Determine staffing and salaries of the budgetary body within the limit of the approved salary and staffing fund;

16.5.4. Improve performance effectiveness of budgetary bodies;

16.5.5. Spend approved budgets for their purpose;

16.5.6. Undertake internal audit activities;

16.5.7. Prepare accurate and correct financial statements, budget execution report and performance reports at specified timeframe; and

16.5.8. Provide state central administrative body responsible for finance and budget matters with required information in a timely manner;

## **Article 17. Budgetary body**

17.1. Legal body whose financing is not approved in the budget or a unit which carries out onetime, non-permanent activities and implements budget governor's functions shall belong to a budget governor who directly subordinates it and participate in budget relations.

17.2. A project unit operated with loans or grants rendered by international organizations and donor countries to Mongolia through Government shall be a budgetary body.

17.3. As stated in the Law on State Registration of Legal Bodies, central administrative body responsible for finance and budget matters shall register budget entities.

## **Article 18. Special funds**

18.1. Activities directed at implementing some state functions can be carried out through special funds.

18.2. Special funds shall be in the form of Government special funds and Local special funds.

18.3. The establishment of Government special funds, principles for fund's activities, its functions, its revenue or spending processes shall be regulated by the legislation.

18.4. The establishment of local special funds, principles for fund's activities, its functions, its revenue or spending processes shall be regulated by this Law.

18.5. Government special funds shall be part of the state budget and local special funds shall be part of the local budget.

18.6. Funds specified in 18.2 of this Law can be in the form of revolving funds.

18.7. Relations arise in connection with the establishment of revolving funds and revenue, purpose and reporting of the revolving funds shall be regulated with law.

#### **Article 19. Appointment and dismissal of the budget chief accountant**

19.1. All levels' budgets shall have budget chief accountants for the particular level.

19.2. General budget governors specified in Provisions 14.1.3, 14.1.7, 14.1.8, 14.1.11, 14.1.12 and 14.1.16 of this Law shall have budget chief accountants.

19.3. General budget governors except the ones specified in Provision 19.1 and 19.2 of this Law, central budget governors and direct budget governors shall have senior budget accountants and budget accountants.

19.4. General budget governors specified in 14.1.3, 14.1.7, 14.1.8, 14.1.11, and 14.1.12 of this Law shall appoint and dismiss the respective budget chief accountant upon agreement with the State Secretary of the State Central Administrative Body responsible for budget and finance.

19.5. Soum and district general budget governors (soum and district governor) shall appoint and dismiss the respective budget chief accountant upon agreement with the aimag and capital city general budget governors, and aimag and capital city general budget governors (aimag and capital city governor) shall appoint and dismiss the respective budget chief accountant upon agreement with the State Secretary of the State Central Administrative Body responsible for budget and finance.

19.6. Central budget governor and direct budget governor shall appoint and dismiss respective senior budget accountant as described below:

19.6.1. As for budget accountants of central budget governor and direct budget governor who deal with the state budget, social insurance fund budget and human development fund budget upon agreement with the State Secretary of the State Central Administrative Body responsible for budget and finance;

19.6.2. As for senior budget accountants of budget entities under central budget governors who delivers services by agreements as defined in Article 38 of this Law upon agreement with head of the aimag and capital city's financial and treasury division.

19.6.3. As for budget accountants of central budget governor and direct budget governor who deal with aimag and capital city's budgets and budget accountants of direct budget governor who deal with soum budgets upon agreement with the head of the soum and district's governor's office upon agreement with head of the aimag and capital city's financial and treasury division; and

19.6.4. As for budget accountants of direct budget governor who deal with district's budget upon agreement with head of the district's financial and treasury division.

19.7. The state central administrative body responsible for finance and budget matters shall determine requirements, criteria and procedure for chief accountants.

## **Article 20. General Financial Information System**

20.1. Preparation of all levels' budgets, budget execution, accounting and reporting shall be implemented through general budget information network.

20.2. Data in the general financial information system shall be supported by respective decisions, legal acts and accounting documents.

20.3. Respective entities and officials shall have obligation to enter accurate data into the budget information system, and file, record and protect the original documents entered into the system.

## **CHAPTER THREE**

### **Budget structure**

#### **Article 21 . Budget level**

21.1. The Unified Budget of Mongolia is comprised of the State Budget, Local budgets, the budget of the Social Insurance Fund and budget of the Human Development Fund.

21.2. Local budget is comprised of aimag, capital city, soum and district's budgets.

21.3. State budget shall be an upper level budget for aimag and capital city budget and aimag and capital city budget shall be an upper level budget for soum and district's budget.

21.4. Revenues to be imposed and functions to be implemented for each level of the budget shall be determined by the law.

#### **Article 22. Budget classification**

22.1. Budget is planned, implemented, recorded and reported in accordance with classification as defined.

22.2. Budgets shall be classified with the following categories:

22.2.1. By budget level;

22.2.2. By budget governors;

22.2.3. By economic classification;

22.2.4. By programs;

22.2.5. By activities; and

22.2.6. By financing sources.

~~22.3. Economic classification specified in provision 21.2.3 of this Law shall be classified with the following sub-classifications:~~

~~22.3.1. Revenues;~~

~~22.3.2. Expenditures;~~

~~22.3.3. Balance; and~~

~~22.3.4. Additional information.~~

22.4. Classification specified in 22.2 of this Law shall be the primary budget classification.

22.5. The State Central Administrative Body responsible for Finance and Budget Matters can determine other classifications if needed and the coding level of the budget classification.

22.6. It is not allowed to change amount of revenues or expenditures by recording incorrect information in the budget classification.

22.7. Budget classifications shall be applied in the following ways for every steps of budget planning, approval, implementation and reporting:

22.7.1. Establish indicators of the Medium Term Fiscal Framework Statement for each level of budget;

22.7.2. Define budget expenditure ceilings by budget level, by general budget governors for respective budget level, and by aggregate level of expenditures;

22.7.3. Prepare budget planning, recording and reporting by each category of budget classification with detailed classification.

22.7.4. Authorized body approving budgets, approves budgets by each level, by general budget governors for each level, by each program, investment projects and activities and projects and activities implemented through concession agreements, special funds, revenues, and financing source along with their outcomes.

22.7.5. General budget governor, approves his/her approved budget by each central budget governor and by each direct budget governor where the budget is not directly supervised by the central budget governor in accordance with classification specified in provisions 22.2.3-22.2.6 of this Law together with outcomes.

22.7.6. Central budget governor, approves his/her budget by each direct budget governor in accordance with classification specified in provisions 22.2.3-22.2.6 of this Law together with outcomes.

22.7.7. Direct budget governor, records and reports approved budget in accordance with classification specified in provisions 22.2.3-22.2.6 of this Law.

22.7.8. Budget execution process shall be controlled by classifications specified in provision 22.2 of this Law and control level can be set for aggregate level of expenditures within the detailed economic classification.

~~22.8. Budget input data such as budget entities' staffing and data that is not accepted by accounting principles like contingent liability shall be considered in the classification specified in provision 22.3.4 of this Law.~~

~~22.9. Additional control can be set by the classification defined in provision 22.3.4 of this law for budget approval and implementation.~~

22.10. By each type of the classifications identified in provision 22.2. of this Law, the state central administrative body responsible for finance and budget matters shall determine detailed classifications and issue procedures for using these classifications in budget planning, reporting and execution.

22.11. The state central administrative body responsible for finance and budget matters shall determine methodology for converting budget classification in conformity with International standards on Government Financial Statistics.

22.12. The Government shall define and enforce the procedure for exercising virement between line items of budgets set by classifications as defined in Provision 22.6.8 of this law by each category of budget governor and common rule for setting aggregate expenditure level for controlling.

### **Article 23. Budget revenue**

23.1. Budget revenue is comprised of tax and non tax revenues and other revenues.

23.2. Tax revenues are comprised of taxes, fees and commissions as articulated by the General Tax Law.

23.3. Non tax revenues are comprised of dividends from partly state and locally owned enterprises for the share of state and local property, sales revenue and charges for the use of state and local property, proceeds from privatisation, sale and renting of state and local property, fines, revenue from non-core activities of budgetary body, loans and grants obtained from foreign countries and/or international organisations and other types of revenues generated into the budget in accordance with respective laws.

23.4. State budget tax revenues are comprised of the following types of revenues:

- 23.4.1. Company income tax;
- 23.4.2. value added tax;
- 23.4.3. excise tax;
- 23.4.4. customs duties;
- 23.4.5. fuel and diesel tax ;
- 23.4.6. mineral resource exploitation tax;
- 23.4.7. Mining and exploration license fees;
- 23.4.8. Air pollution tax; and
- 23.4.9. Stamp tax specified in 11.2 of the Law on State stamp tax.

23.5. State budget non tax revenues are comprised of the following types of revenues:

- 23.5.1. dividends from fully and partly state owned enterprises for the share of state property;
- 23.5.2. charges for the usage of state property and revenue from the sale of state property; and
- 23.5.3. other types of revenues to be generated into the state budget in accordance with the respective laws.

23.6. Aimag and capital city budget tax revenues are comprised of the following type of revenues:

- 23.6.1. city resident's tax;
- 23.6.2. urban planning tax;
- 23.6.3. land fee;
- 23.6.4. immovable property tax;
- 23.6.5. vehicle and self movable carriage tax;
- 23.6.6. charges for industrial user; and
- 23.6.7. taxes on salary, remuneration, incentives and income from employment equivalent to them.

23.7. Aimag and capital city budget non-tax revenues are comprised of the following type of revenues:

- 23.7.1. dividends from fully and partly locally owned enterprises for the share of local property;
- 23.7.2. charges for the usage of local property and sales revenue, revenue from interest and fines; and
- 23.7.3. other types of revenues to be generated into aimag and capital city budget in accordance with the respective laws.

23.8. Soum and district budget's tax revenues are comprised of the following type of revenues:

23.8.1. Personal income taxes other than articulated by provision 8.1.1 of the Tax law on personal income tax;

23.8.2. gun fee;

23.8.3. state stamp fee other than specified in 23.4.9 of this Law;

23.8.4. hunting fee;

23.8.5. license fee for exploitation of natural resources;

23.8.6. fee on natural plants;

23.8.7. timber fee;

23.8.8. fee on use of widespread mineral resources;

23.8.9. fee on usage of water and spring water;

23.8.10. income tax of self-employed person whose income is not predictable for a certain time period.

23.9. Soum and district budget's non tax revenues are comprised of the following types of revenues:

23.9.1. dividends from fully and partly locally owned enterprises for the share of local property;

23.9.2. charges for the usage of local property and sales revenue, revenue from interest and fines; and

23.9.3. other types of revenues to be generated into aimag and capital city budget in accordance with the respective laws.

23.10. Proceeds from donation, grants and assistance specified in Article 25 of this law shall be part of budget revenues.

23.11. Revenues occurred in relation to owning, using and spending land and natural resources in the form specified in the law shall be part of the budget revenue.

23.12. Tax expenditures shall be pre-determined and informed together with a budget proposal and shall be reported in detailed ways by reflecting in the budget execution.

23.13. It is prohibited to borrow, issue guarantee, implement projects under concession arrangement and making payments by having budget revenues and tax revenues as collateral.

#### **Article 24. Budget expenditure**

24.1. Budget expenditures shall consist of capital and recurrent expenditures.

24.2. If procurement of goods and services with budget fund is not organized in accordance with the respective legislation it is prohibited to make financing from the budget.

24.3. Activities, works, and services to be implemented by General budget governor and agencies and budgetary bodies within the area of responsibility of the General budget governor shall be included in respective programs of the General budget governors.

#### **Article 25. Grant revenue and expenditures to be financed from this revenue**

25.1. Grant revenues shall be in the following forms:

25.1.1. development grants to be obtained in accordance with international agreements;

25.1.2. grants and donations to be obtained from budgetary entities and non-state owned bodies;

25.2. The value of grants and donations obtained by budget governors shall not exceed 50 percent of the approved budget of the particular budgetary entity.

25.3. Proceeds from grants and donations shall be recorded and reported in accordance with the respective procedure.

25.4. General budget governor shall submit a copy of a document on obtained grants and donations to the respective level's organisation in charge of budget matters within one month.

25.5. Budgetary entities can obtain grants and donations in the form of cash and movable property from non-state owned entities in the following circumstances:

25.5.1. to continue implementation of programs and activities which lack financing sources; and

25.5.2. to implement training programs aimed at strengthening organisational human resource capacities;

25.6. It is prohibited for budgetary entities to obtain grants and donations considering the following cases as conflict of interest:

25.6.1. a body who rendered grants and donations use public services of that budgetary entity or sells its goods or provides its work and services for that budgetary body's needs; and

25.6.2. with the purpose of resolving social issues of personnel.

25.7. Requirements adhered for activities financed from the budget shall also be followed for the process of financing from the proceeds of the grants.

25.8. Unless otherwise stated in the law, non-state and non-locally owned legal bodies shall render grants and donations from their after tax profit.

25.9. It is prohibited for state and locally owned legal bodies to render grants and donations.

25.10. Relations that raise in connection with obtaining, expending, managing, recording and reporting of development grants in accordance with international agreements into which Mongolia joined shall be regulated with a separate law.

25.11. Unless otherwise defined in international agreements into which Mongolia joined, grant proceeds shall be placed in a treasury single account

## **Article 26. Financial records and standards**

26.1. Budgetary bodies shall maintain full accrual basis accounting in accordance with Mongolian and International Accounting Standards.

26.2. Budget records shall be recorded and reported with modified accrual basis.

26.3. The State central administrative body responsible for finance and budget matters shall develop and enforce national accounting standards to be applied in public sector and budget records.

## **CHAPTER FIVE**

### **Budget preparation, submission and approval**

#### **Article 27 Requirements for preparation of budget proposal**

27.1. In addition to the special fiscal requirements specified in the Fiscal Stability law, the following requirements shall be met in preparation of budget proposal:

27.1.1. Comply with budget principles;

27.1.2. Be based on macro-economic condition, analysis and estimation;

27.1.3. Aim at improving accessibility and quality of public services and maximizing benefits of budgetary financing;

27.1.4. be based on annual budget ceiling;

27.1.5. Prepare budget proposal by programs and by each general budget governor;

27.1.6. Include all public entities budgets to be financed from the budget in one of the relevant General budget governor's budget proposal.

27.1.7. Plan, record and report revenues and expenditures by total amount of transactions except internal transactions.

27.2. Annual budget ceiling to be delivered to general budget governors shall meet the following requirements:

27.2.1. set budget ceilings by recurrent and capital expenditures; and

27.2.2. be classified by financing sources for new projects and measures and projects and measures to be continued that shall be reflected in the investment program.

27.3. An instruction for preparation of budget proposals of general budget governors that belong to the state budget shall be reflected in the budget guidelines in the following manner:

27.3.1. estimation of the medium term fiscal framework statement and explanations on decisions made;

27.3.2. Government approved budget ceiling;

27.3.3. policy guidance on the general guideline for socio- economic development and the Government Action Plan.

27.3.4. general and special requirements for preparation of investment projects;

27.3.5. general conditions for making request on financing of budget proposals;

27.3.6. special forms and their instruction and information for preparation of budget proposals; and

27.3.7. deadline for submitting budget proposals.

27.4. An instruction for preparation of local budget proposal shall be reflected in in the budget guideline and shall be delivered to aimag and capital city governors.

## **Article 28. Public Investment Program Planning**

28.1. Those infrastructure and development investment projects aimed at ensuring economic growth for the long term with the value of more than 30 billion togrogs which are to be implemented for the period of more than one year shall be included in the Public Investment Program.

28.2. General budget governor shall submit his/her proposal on projects and measures to be included in the public investment program to the administrative body responsible for development policy and planning matters.

28.3. Administrative Body Responsible for Development Policy and Planning Matters together with the Central Administrative Body Responsible for Finance and Budget Matters shall establish priorities and implementation order of investment programs taken into consideration the following:

28.3.1. National long and medium term development policies;

28.3.2. economic benefits and social significance;

- 28.3.3. Government action program and priority areas;
- 28.3.4. standards for public services delivered by the government;
- 28.3.5. sector development policies;
- 28.3.6. regional development policies;
- 28.3.7. local development needs;
- 28.3.8. medium term fiscal framework statement; and
- 28.3.9. contingent liabilities and other financial risks' assessment.

28.4. Taken into consideration items stated in 28.3.1-28.3.6 of this Law, the Administrative Body Responsible for Development Policy and Planning Matters shall undertake pre-feasibility studies of projects and measures with the value of more than 30 billion togrogs that will be included in the public investment program.

28.5. The Central Administrative Body Responsible for Finance and Budget Matters shall review and verify projects to be included in the public investment programs against requirements stated in 28.3.7-28.3.9 of this Law.

28.6. The Administrative Body Responsible for Development Policy and Planning Matters shall carry out design and feasibility studies of projects which are proven to be beneficial by the pre-feasibility studies by considering economic benefits and social significance stated in 28.3 of this Law.

28.7. Studies and estimation stated in 28.4 and 28.6 of this Law shall not be applicable to the following projects and measures:

- 28.7.1. projects and measures related with national security and defense; and
- 28.7.2. projects and measures related to eliminating or recovery from consequences of natural disaster.

28.8. The Government shall approve once in 4 years and review annually the public investment program.

28.9. The Administrative Body Responsible for Development Policy and Planning Matters shall submit to the Government a draft update of the investment program to be undertaken in the particular year by May 15.

28.10. The public investment program includes projects financed by budget, loans, and grants as well as those to be implemented by concession agreement and Development Bank funded projects.

28.11. Methodology for estimating the result of the projects considering economic benefits and social significance of investment shall be approved jointly by the Cabinet Member in charge of Finance and Budget Matters and Chief of the Administrative Body Responsible for Development Policy and Planning Matters.

## **Article 29. Public investment Budgeting**

29.1 Within the public investment program, Administrative Body Responsible for Development Policy and Planning Matters shall prepare a proposal on continuing and new investment projects and general budget governors shall prepare a proposal on investment projects with the total value less than 30 billion togrogs other than stated in 28.1 of this Law in accordance with the budget guideline and submit it to the Central Administrative Body Responsible for Finance and Budget Matters within the timeframe defined in 8.4.3 of this Law.

29.2 Respective cost estimation related with operational costs of a capital asset to be established through investment project such as recurrent expenditure, staffing and financing resources is made and assessment of its impact on the budget is carried out

29.3 The Central Administrative Body Responsible for Finance and Budget Matters shall prioritise and present investment projects and measures in the annual budget proposal in the following ways:

29.3.1 fit within the medium term fiscal framework statement and annual budget ceiling;

29.3.2 projects covered in the public investment program by their total cost, starting and ending dates and expenditures to be expended in the fiscal year;

29.3.3 recurrent maintenance of short term assets to be completed within a year, capital asset renovation, equipment and other capital projects by programs and general budget governors;

29.3.4 regardless of financing sources each project presented with its full value; and

29.3.5 The particular fiscal year's allotment of the total budgeted cost for new buildings and construction, investment projects and measures shall not be less than the amount evenly divided for periods of implementation.

29.4 Detailed requirements for investment projects shall be included in the budget guideline.

29.5 Requirements identified in 28.3 of this Law shall also be applicable for investment projects and measures with total budgeted cost less than 30 billion togrogs.

29.6 Central administrative body responsible for the particular matters shall undertake feasibility studies of investment projects and measures with total budgeted cost less than 30 billion togrogs and the central administrative body responsible for finance and budget matters shall reflect them in the budget if the investment projects proven to be beneficial as specified in 28.6 of this Law.

29.7 If price index of production's raw material is increased at twice the tariff used for approved budgetary estimation, it can be considered in the particular year's budget and amended accordingly.

29.8 The condition as specified in 29.7 of this Law emerged due to faulty actions of contractors shall not be a justification for changing the budgeted costs.

### **Article 30. Public and Private Partnership**

30.1 The following types of public and private partnership can be formed.

30.1.1 public services may be executed by private sector; and

30.1.2 through concession contracts;

30.2 In the following circumstances public and private partnership shall be practiced:

30.2.1 Adopt private sector practices of technology, equipment and efficient management tools to public sector;

30.2.2 Implement project or activity that require mandatory government support which cannot be implemented solely by private sector; and

30.2.3 Implement projects and activities with proven benefits through its feasibility study.

30.3 For the purpose of compensating budget deficit or postponing budgetary payment, implementation of public and private partnership is prohibited.

30.4 All parts of activities implemented through concession contracts shall be part of the budget.

30.5 Relations on concessional contracts shall be regulated by respective laws.

### **Article 31. General budget governor's annual budget proposal**

31.1 General budget governor's annual budget proposal shall meet the following requirements:

31.1.1 Funding should be determined by the scope of activities pertained to core functions;

31.1.2 Determine objectives, targets and outcomes of program;

31.1.3 Should comply with annual budget ceiling approved by the Government;

31.1.4 Within the area of responsibility, investment projects and activities and their required amount of resources shall be reflected in the respective program;

31.1.5 Within the area of responsibility, amount of pensions, allowances and other types of financial supports to be financed from the budget shall be reflected in the respective program; and

31.1.6 Procurement plan proposal shall be attached.

31.2 General budget governor shall submit a proposal which exceeds the ceiling stated in provision 31.1.3 of this law along with respective justification and explanation separately from the budget proposal.

31.3 The central administrative body responsible for finance and budget matters shall return budget proposal of the general budget governor which does not meet requirements identified in 31.2 of this Law.

31.4 The following estimates shall be attached to the budget proposal of the General budget governor:

31.4.1. Estimated amount of revenue to be generated to the budget;

31.4.2. Estimated amount of budgetary body's revenue from its own operation;

31.4.3. Estimates of new programs and activities;

31.4.4. Proposal and estimation on halting or reducing financing for programs and activities that become socially and economically unbeneficial;

31.4.5. Budget execution review report and preliminary estimation of expected budget execution for a particular fiscal year;

31.4.6. Expenditure allocation estimates presenting inputs, budget, financing sources, and outcomes by programs and by economic classification; and

31.4.7. justification and estimates of projects and measures implemented through concession contract.

31.5 The Government shall discuss budget proposals by each general budget governor except the budget of the State Great Khural.

## **Article 32. Submission of Budget proposals to State Great Khural**

32.1.1 The government shall submit proposals on unified budget, Social insurance fund and Human Development fund with the attachment specified by Provision 32.2 of this law to the State Great Khural in accordance with the timeframe specified in Provision 8.3 of this law.

32.2 The presentation of the budget proposal shall include the following information:

32.2.1 Assessment of macroeconomic current condition and future prospective and trends;

32.2.2 An explanation of the Government's policies and priorities for the budget year directed at ensuring macroeconomic and fiscal stability and how these are reflected in the budget proposals;

- 32.2.3 Estimates of targeted indicators for budget balances;
- 32.2.4 Statement of key fiscal risks that may affect the budget execution;
- 32.2.5 Estimation of tax expenditures by each type of tax revenues, previous year's execution and projections for the following two fiscal years;
- 32.2.6 List of Investment projects and activities by types and funding sources;
- 32.2.7 List of projects and activities to be frozen or reduced funding sources, and their impacts on budget and explanation;
- 32.2.8 List of projects and activities to be funded by foreign loan, assistance /by types, objects and total costs/;
- 32.2.9 Estimation of Special fund revenues and expenditures;
- 32.2.10 Amount of dividend of fully and partly state and locally owned legal bodies for the share of the budget;
- 32.2.11 Programs and activities to be implemented by each General budget governor, required inputs, expected outcomes, and performance indicators of programs and activities and related explanations;
- 32.2.12 Comments on how the budget proposal complies with the special fiscal requirements and Medium Term Fiscal Framework Statement;
- 32.2.13 In case of temporary suspension of special fiscal requirements, justification and relevant proposal shall be presented;
- 32.2.14 Brief interpretation on unified budget revenue and expenditure indicators;
- 32.2.15 Estimation of balanced budget;
- 32.2.16 Proposal on financing a deficit if the budget proposal is planned with deficit;
- 32.2.17 Balance of government loan, amount of domestic sources for project loan, guarantees issued by the Government and its value;
- 32.2.18 Contingent liability that exceeds 1 percent of the unified budgetary revenues and estimates of its potential risk;
- 32.2.19 Justification and estimates of projects and measures implemented through concession contract.
- 32.2.20 Draft legislative documents required to be resolved in relation to budget proposal.

### **Article 33 State Great Khural Approval of the Budget**

33.1 The State Great Khural shall enact proposals on State budget, Social Insurance Fund and Human Development Fund complied with the requirements determined by the Fiscal Stability Law in accordance with the calendar specified by article 8.3 of this law.

33.2 The following items shall be included and approved in the State budget:

33.2.1 Revenues to be generated by General budget governor into its annual budget and own revenues of its subordinate budget entities for particular fiscal year;

33.2.2 Maximum level of budget expenditures and maximum level of recurrent and capital expenditures of the general budget governor of which level of special purpose transfers for the particular fiscal year;

33.2.3 Limitations related to financing sources for budget deficits and cash flows;

33.2.4 Revenue transfers and financial support to be allocated to other levels' budgets;

33.2.5 List of investment projects as set in the annex (name, location, capacity, timeframe for implementation, budgeted cost, financing sources and total amount of financing for the particular fiscal year).

33.2.6 Programs to be implemented by each General Budget Governor and qualitative and quantitative indicators of expected outcomes of the programs as presented in the annex;

33.2.7 List of projects and activities to be implemented through concession contracts and requirements and terms and conditions set for them as presented in the annex.

#### **Article 34 Supplementary budget**

34.1 For the following circumstances the Government shall formulate and submit supplementary budget of the particular fiscal year to the State Great Khural:

34.1.1 In the case of occurrence of events that causes suspension of the special fiscal requirements as defined in the Law on Fiscal Stability;

34.1.2 Due to unforeseen situation, the budget revenue is decreased, expenditure is increased and the unified budget deficit is increased by 3% of GDP.

34.1.3 If a justification as specified in Provision 28.7 of this law becomes apparent, budgeted costs of programs, projects and activities shall be amended.

34.1.4. Adjustment of budgets between general budget governors;

34.2 For the following circumstances the Governor shall formulate and submit the supplementary budget of the particular fiscal year to the Citizens' Representative Assembly:

34.2.1. Due to amendments to the upper level budget, inevitable conditions are raised to amend the relevant level's budget;

34.2.2. In the circumstances of the event where the budget revenue is decreased, expenditure is increased and the local budget is in deficit occurs due to unforeseen condition, and justification as defined in Provision 28.7 of this Law becomes apparent, make amendments to the budgeted costs of the approved programs, projects and activities.

34.3. Until the period of completion of amendments to the budget of the particular fiscal year, financing or implementation of the following programs, projects and activities can be stopped temporarily:

34.3.1. financing level reflected in the supplementary budget proposal is going to be reduced or cut off; or

34.3.2. contracts of such programs, projects and activities have not been established.

## **CHAPTER SIX**

### **Budget implementation and execution**

## **Article 35. The Treasury Single Account**

- 35.1 Financial assets are managed through the Treasury Single Account, established in the Bank of Mongolia;
- 35.2 Budget revenues and own revenues collected by any budgetary entity are deposited into the Single Treasury Account without delay;
- 35.3 All disbursements are processed from the Single Treasury Account unless a separate bank account has been authorized by the Central Administrative Body responsible for Finance and Budget Matters;
- 35.4 No Bank is permitted to establish a bank account for any budgetary entity without the prior written approval from the Central Administrative Body responsible for Finance and Budget Matters.
- 35.5. Respective level's organization in charge of budget matters and state audit body shall inspect and close accounts opened outside the Single Treasury Account and mobilize the assets into the Single Treasury Account.

## **Article 36. Treasury system**

- 36.1 The Treasury System is comprised of the Central State Treasury, the treasury of Aimags and Capital City, the treasury of Soums, and Districts and the treasury unit under General Budget Governors (hereinafter called the Treasury);
- 36.2 The Central State Treasury shall be in the structure of the Central administrative body responsible for finance and budget matters and the treasury of Aimags, Capital City, Soums, and Districts shall be in the structure of the particular level's Governor's office.
- 36.3 Budgetary entities undertaking similar activities in soums or districts and entities with smaller budgets can establish an integrated unit responsible for providing accounting services.
- 36.4. The particular level's treasury unit shall make a decision on establishment of an accounting service unit defined in 36.3 of this Law.
- 36.5. If a unit defined in 36.3 of this Law is established, it is prohibited for a budgetary entity to create a position responsible for undertaking functions that overlap with the treasury unit.

## **Article 37. Treasury Functions**

37.1 The Central Administrative Body responsible for Finance and Budget Matters shall operate the following functions of the Central State Treasury:

- 37.1.1 Management of the Treasury Single Account;
- 37.1.2 Promulgation and enforcement of procedures and directions to regulate payment and receipt transactions;
- 37.1.3 Development and implementation of training programs for Treasury System staff;
- 37.1.4 Inspection visits to insure that treasury functions are operated in accordance with established procedures;
- 37.1.5 Development of a cash management system;

37.1.6 Management and control over cash inflows and outflows to ensure timely availability of cash resources for approved budget expenditure;

37.1.7 Provision of short-term loans to other levels of government to be closed by the end of the year within the Treasury Single Account with the purpose of covering budget revenue shortage.

37.1.8 Management of short-term investments through the Bank of Mongolia when idle balances occur;

37.1.9 Development and implementation of instructions for budget financial accounting and budget execution reporting.

37.1.10. Management of financial assets and liabilities;

37.1.11. Monitoring of expenditure of the approved budget according to its purpose;

37.1.12. Preparation of consolidated report of budget execution;

37.1.13. Provision of disbursement services to budget governors;

37.1.14. Progress review of disbursement process in accordance with monthly and quarterly schedule for implementing the particular year's approved budget;

37.1.15. Management of budget cash resources, liabilities and receivables; and

37.1.16. Provision of financial services to budget governors.

37.2. The Central State Treasury, the Treasury of Aimags, Capital City, Soums, and Districts and accountants of budget governors shall undertake treasury functions in the following way:

37.2.1 Process daily transactions of budget revenues and expenditures;

37.2.2 Undertake budget control by grouping expenditure;

37.2.3 Establish order for budget expenditure payment;

37.2.4 Process and control budget transactions electronically;

37.2.5 Record commitments against the budget by recording contracts and payment schedules for procurement of goods and other works and services; and

37.2.6 Record budget revenues, expenditures, assets and liabilities in the respective accounts in accordance with the Accounting law.

37.3. The Government shall approve the procedure on treasury functions.

### **Article 38. Agreement for implementation of Government's delegated expenditure responsibilities by local government**

38.1. General Budget Governors defined in 14.1.6 and 14.1.8 of this Law shall establish an agreement with Aimag and Capital city governor, for implementation of delegated expenditure responsibilities specified in 58.1 of this Law within seven working days of the passage of the State budget;

38.2. Aimag and Capital city governor shall establish with Soum and District governors an agreement specified in 38.1 of this Law at the soum and district levels within seven working days of the passage of the aimag and capital city budget;

38.3. The following conditions must be included in 38.1 and 38.2 of this Law:

38.3.1. purpose of expenditures;

38.3.2. quantitative and qualitative indicators used to determine required financing for meeting service standards; and

38.3.3. reporting requirements for financial and performance information.

38.4. The following requirements are established for aimag, capital city, soum and district governors to implement delegated expenditure responsibilities specified in 58.1 of this Law:

38.4.1. not transferring special purpose subsidies for base expenditure of local budget and another expenditure responsibility.

38.4.2. not occurring debts and receivables;

38.4.3 not reducing standards, quantity and quality targets and accessibility of services;

38.4.4. Respective general budget governor shall assess fulfillment of agreements specified in 38.1. and 38.2 of this Law on semi-annual and annual basis and carry out internal audit of agreements.

### **Article 39. Performance agreement**

39.1 Direct budget governors and central budget governors shall conclude performance agreements with respective upper level budget governor prior to the start of the fiscal year.

39.2 Performance agreement shall reflect budgetary body's programs and activities for a particular fiscal year, their budget, outcomes and assessment criteria.

39.3 Performance agreements shall be assessed by the upper level budget governor on a semi-annual and annual basis.

39.4 Based on fulfillment and implementation progress of the performance agreement, the contract evaluator shall take the following actions:

39.4.1 Make a direction to improve budget outcomes and intensify budget implementation, and oversee its fulfillment; and

39.4.2 Within his/her area of legal authority as specified by law, take accountability action or remunerate.

### **Article 40. Management of Budget Execution**

40.1. Control over detailed calendar for implementation of the approved budget, detailed budget allotment, and budget spending and generation shall be undertaken by the approval of monthly and quarterly budget allotment schedule.

40.2. All level budget governors shall be responsible for carrying out the following actions in relation to the budget implementation:

40.2.1. Collect fully revenues to be generated into the state and local budgets according to the law and budgetary bodies' revenues from their own operations;

40.2.2. Budget expenditure shall be released only within the approved budget;

40.2.3. Undertake and report budget execution;

40.2.4. Observe monthly and quarterly budget schedule;

40.2.5. Finance budgetary bodies' expenses within the authority stated in Article 12.1.17 of this Law;

40.2.6. Finance goods and services to be procured with state and local funds based on agreements and payment schedule of procurement; and

40.2.7. Oversee program implementation and ensure their outcomes;

40.3. An organization in charge of budgets of the relevant level shall approve and ensure the enforcement of monthly and quarterly budget schedule based on proposals of general budget governors.

40.4. In the event of failure to approve the budget at the start of the fiscal year, until the approval of the budget, a temporary procedure shall be established and budget expenditures shall be financed in the following ways:

40.4.1. Salary of employees of budgetary bodies by minimum wage level;

40.4.2. Pensions and allowances of social welfare and social insurance by their minimum level;

40.4.3. Government reserve fund and Governor's reserves at the level of the previous year;

40.4.4. Recurrent expenditures of core functions of defense, border protection, domestic army, organizations for national security, health, emergency, court, and prosecution, police, taxation, customs, professional inspection and state administrative organizations at the level of the previous year;

40.4.5. Recurrent expenditures of core functions of organizations other than specified in Provision 40.4.4 of this Law by 50 percent of these organizations' recurrent budgets of the previous year; and

40.4.6. Follow terms and amount of the payment as defined in the loan agreements for payments of principal and interest of Government loans.

40.5. Short term loans can be allocated from upper level budgets for financing the shortage of financing of activities pertained to lower level budgets as specified in Provision 40.4 of this Law.

40.6. An organization in charge of budget matters of the relevant level shall approve and ensure enforcement of monthly and quarterly budget schedule for implementation of the temporary procedure as stated in Provision 40.4 of this Law.

40.7. The Government shall approve a procedure that sets requirements and conditions for ensuring transparency of approved budgets of budgetary entities, own revenues, expenditure savings and their spending and ensuring openness for public and staff of the budgetary bodies.

#### **Article 41 Adjustment to Budget Governor's Budget**

41.1 Budget adjustments between general budget governors can be done only through making amendment to the Law on Budget of the particular year.

41.2 Budget governor can make adjustment in the budget in the following ways:

41.2.1. General budget governor can make reallocation among programs and as well as between budgets of central budget governors and direct budget governors who directly report to the general budget governor; and

41.2.2. central budget governors can make adjustments only in operational expenditure.

41.3. Permission shall be obtained from the organization of the respective level responsible for finance and budget matters and upper level budget governors for making budget adjustment specified in 41.2 of this Law.

41.4 Direct budget governor shall present his/her proposal on adjustments for budget to the respective central budget governor, if he/she does not report to central budget governor then to general budget

governor, central budget governor to respective general budget governors and general budget governor to an organization in charge of budget matters respectively.

41.5 An organization of the particular level in charge of budget matters shall review general budget governor's proposal and resolve it by making changes in monthly and quarterly allotment schedule.

41.6 Central budget governors as specified in Provision 15.2 of this law, can resolve adjustments to budgets for his/her subordinate direct budget governors by making changes in his/her approved budget's monthly and quarterly allotment schedule.

41.7 Cabinet member in charge of finance and budget matters shall approve limits, terms and conditions and procedure for making adjustments into budgets.

41.8 Budget adjustments shall not be made between capital and recurrent expenditures and it is prohibited to finance new activities that are not included in the budget.

#### **Article 42 Budget adjustments for activities to be implemented through more than one fiscal year (carry-over).**

42.1. The following unused budget sources of the particular fiscal year can be carried over for the following fiscal year:

42.1.1. Government bonds, principal and interest payment of loans;

42.1.2. Budget for investment project and activities depending on specifics of projects and activities if its implementation cycle differs from a fiscal year;

42.1.3. Budgets for project and activities to be funded with concessional loans through bipartite and international agreements rectified by the State Great Khural;

42.1.4. Budget incentives other than that specified in 43.4.4 of this law; and

42.1.5. Donation, assistance and support obtained from a body that does not belong to the budget.

42.2. Total amount of the budgets other than articulated in provision 42.1.3 of this Law which authorization to spend is carried over to the next fiscal year shall not exceed 3 percent of the general budget governor's budget of the particular year and the excess amount shall be mobilized into the general account of the relevant level's budget.

42.3. At the end of a fiscal year, the balance of the revolving fund specified in the Law on Government Special Fund shall not be mobilized into the budget, and this balance shall be spent in accordance with the approved budget of the following year.

42.4. Budget governor shall not carry over budgets other than that specified in Provisions 42.1.3 and 42.1.5 of this law through two fiscal years.

42.5. Budget governor is authorized to carry over the budget specified in Provision 42.1 of this law until March 31 of the subsequent fiscal year.

42.6. Carry over for authorization to spend for the following year, shall not be a justification for reducing outcome targets of programs, projects, and activities.

#### **Article 43 Non-core activities**

43.1. Budgetary bodies may engage in non-core activities under the following circumstances to generate revenue:

43.1.1. General budget governor gives prior written approval, and non-budgetary resources to compensate the possible loss associated with such activities are clearly specified;

43.1.2. Such activities are properly reflected in financial statements and performance agreements;

43.1.3. Such activities do not divert public assets from main use, and do not divert personnel of the budgetary body from their core activities.

43.1.4. Such activities do not contradict with core-functions of budgetary bodies.

43.2 Cost for non-core activities includes all forms of direct and indirect costs, payables, financial obligations and the use of core-activities' expenditures for non-core activities in direct or in-direct ways is prohibited.

43.3 If a permission to engage in non-core activities was given in the middle of the fiscal year, it shall be implemented as additions to the budget and in other cases it shall be reflected in the budget of the particular year.

43.4 Profits earned from non-core activities shall be spent for the following purposes:

43.4.1 Reduce budget financing for particular budgetary body's core functions;

43.4.2 Make investment for supporting operations of that particular budgetary body or branch;

43.4.3 Use for resolving social issues of employees of that particular budgetary body; and

43.4.4 Balance shall be mobilized into the relevant level's general budget account at the end of a fiscal year.

43.5. Relations with regard to implementation of issues specified in 43.4.2, and 43.4.3 of this Law with profits earned from non-core activities shall be regulated by Article 45 of this law.

#### **Article 44 Budget savings**

44.1 For the following cases the unused budget balance of budget governors can be considered as budget expenditure savings:

44.1.1 balance occurred due to decrease in unit cost or price during the procurement process for goods and services financed from recurrent budget;

44.1.2 balance occurred as a result of reducing unit cost without decreasing quality but by improving operational cost efficiency of budgetary bodies; and

44.1.3. balance occurred as a result of reducing unit cost without reducing quality of projects, measures and activities where approved budget is estimated using norms and normative of units.

44.2 The following unused balance of budget governor's budgets shall not be considered as savings and such balances shall be mobilized into the general budget account of the relevant level's budget.

44.2.1 Number of units is less than the initial estimation used in approved budget where budget was estimated with unit cost norms and normatives.

44.2.2 balance occurred due to decrease in number of units or budgeted projects and activities are not implemented.

44.2.3 balance occurred due to decrease in unit cost, price and quantity during the investment procurement process.

44.2.4 balance occurred due to operation of state administrative body with a fewer number of staff than the approved staffing level.

#### **Article 45. Budget incentives**

45.1 Budget governors can be remunerated from the performance agreement incentives if earning profits from non-core activities, making budget expenditure savings or over-fulfillment of revenue targets to be generated into the budget in accordance with his/her functions.

45.2 Based on the expected actual of the fiscal year, funds required for providing performance incentives stated in Article 45.1 of this Law shall be reflected and approved in the next year's budget of the general budget governor in charge of budget matters of the relevant level and shall be provided by his/her decisions.

45.3. Decision on how to spend incentives specified in 45.1 of this law shall be made based on discussion of this issue by staff meeting of the budgetary entity. Copies of the minutes of the meeting and the decision shall be presented to treasury of the respective level and based on that incentives shall be issued.

45.4. Incentives shall be used for common measures such as making investment in the organization, remunerating staff considering the performance result and resolving social issues of staff.

45.5 Procedure on size and criteria of incentives to be allocated from the savings of budgetary body, and their spending, reporting, accounting and monitoring shall be approved by the Cabinet member in charge of finance and budget matters.

45.6 Budget incentives shall be defined and issued within one month after the submission of the budget execution to the State Great Khural and Citizens' Representative Assembly.

#### **Article 46 Additions to Budget**

46.1 Budget governor can spend the following types of additions to budget for relevant projects and activities:

46.1.1 Donation and aid given by a non-state owned body.

46.1.2 bilateral government agreements rectified by the State Great Khural or concessional loans obtained from international organizations during a fiscal year;

46.1.3 Resources allocated to a particular budget governor based on relevant legal parties' decisions from the Government reserve fund, Governor's reserves or similar unclassified reserve fund;

46.1.4 Resources allocated from the budget of upper level budget governor to lower level budget governor;

46.1.5. Additional revenue incurred within the framework of core functions of budgetary bodies; and

46.1.6 Budget incentives.

46.2 Additions to the budget and related activities shall be part of financial statements and budget execution reports the same as a budget.

46.3. Revenues stated in Provision 46.1.5 and 46.1.6 of this Law shall be spent only within the approved budget.

## **CHAPTER SEVEN**

### **Property and Government Debt management**

#### **Article 47 Financial assets**

47.1 The Central Administrative Body responsible for finance and budget matters shall execute state financial asset management, coordination, spending, recording, and reporting.

47.2. Local financial asset management, coordination, spending, recording, and reporting shall be executed by a state administrative organization of the relevant level in charge of budget matters.

47.3 Other than public or private entity's self financed asset, all property, purchase of asset, expenses for establishing a legal body, shares, funds contributed to paid-in-capital and related all forms of financial means shall be expenses of relevant level budget.

#### **Article 48 Government loan**

48.1 The government may obtain loan for the following purposes:

48.1.1 To finance government projects and programs;

48.1.2 To increase the Mongol bank's foreign currency net reserve with the purpose of supporting balance of payment;

48.1.3 To finance budget deficits;

48.1.4 To refinance debts in order to reduce interest and expenses;

48.1.5 To finance shortage of state budget's seasonal revenue.

48.2. It is prohibited to extend its term when refinancing the debt specified in 48.1.4 of this law.

48.3. Sources generated through loans shall be spent only for financing approved programs and activities.

#### **Article 49 The Government issuing loans**

49.1 For the following purposes loan can be issued from the state budget if financial sources are approved by the particular year's Budget Law.

49.1.1 to finance seasonal revenue shortage of aimag and capital city budget;

49.1.2 For the purposes as specified by law from the Special government fund; and

49.1.3 on-lending of loans obtained from international organizations or foreign countries for its intended purpose.

49.2. Sources generated through loans shall be spent only for financing approved programs and activities.

#### **Article 50. Government guarantee**

50.1. The government guarantees shall be in the following forms:

50.1.1. Loan guarantee; and

50.1.2. Payment guarantee;

50.2. The government guarantee specified in Provision 50.1 of this law can be issued if their sources are approved by a particular year's Budget law.

50.3. The government guarantee shall be part of budget.

50.4. Within the framework of particular fiscal year's approved budget, loan guarantee to be issued by the Government will be discussed and approved by State Great Khural as submitted by the government.

### **Article 51. Contingent Liability**

51.1 Information on government's contingent liability shall be disclosed to the State Great Khural and public.

51.2 Records of contingent liability shall be reflected in annual, supplementary budget plan and semi-annual and annual budget execution reports.

51.3 The National Audit Office shall monitor and issue an opinion on contingent liability, loan guarantee and related records.

51.4 Disclosure of estimation on contingent liability, loan guarantee, and possible risks shall not be considered as their acceptance or generating payables.

### **Article 52 Government debt management**

52.1. State Central Administrative body responsible for finance and budget matters shall implement the government debt management in the following manners:

52.1.1. Develop and implement debt management strategy based on the government financial needs and risk assessment;

52.1.2. Determine and manage the government debt management objectives, and amount, composition and risks of debt for short and medium term;

52.1.3. Get the maximum amount of government guarantees and new loans approved by the Budget Law of the fiscal year and follow it;

52.1.4. Set maximum amount of loan to be obtained by state owned and predominantly state owned legal body;

52.1.5. Establish database on the government debt and loan guarantees;

52.1.6. Set maximum amount of loans for aimag and capital city governors to obtain from the state budget;

52.1.7. Ensure transparency in government debt information;

52.1.8. Ensure equal rights of lenders.

52.2. Asset and liability management, Government's borrowing, issuing loans, on-lending, and issuing loan guarantees, and requirements, terms and conditions and limitations set for them and contingent liability management process shall be regulated by the law.

## **CHAPTER EIGHT**

### **Budget Reporting**

#### **Article 53. Financial statements and budget execution report**

53.1. Government's consolidated financial statement shall include financial statements of the state and local budgets, consolidated financial statements of General budget governors of the state budget and financial statements of fully and partly state owned enterprises.

53.2. General budget governor shall cover in his/her consolidated financial statement financial statements of budgetary bodies and agencies of his/her portfolio, financial statements of projects and programs implemented by concessional loans and grants obtained through government and financial statements of state owned enterprises.

53.3. The General budget governor shall prepare his/her consolidated financial statement in accordance with International Accounting Standards.

53.4. The consolidated financial statement shall have the following components:

53.4.1. An income statement;

53.4.2. A balance sheet;

53.4.3. A statement of cash flows;

53.4.4. A statement of changes in net assets; and

53.4.5. Explanatory notes.

53.5. Budget execution report shall include the following:

53.5.1. Actual revenues and expenditures of the fiscal year (by total amount, programs, budget governors, and by each investment activity);

53.5.2. Tax expenditures by each sector and legal body along with legal justification;

53.5.3. Actual amount for goods and services procured in the fiscal year;

53.5.4. Budget spent for programs and activities, attained result and their introduction (fulfillment of program performance, fulfillment of policy objectives, assessment of impacts, assessment of investment projects executed and reason for disruption); and

53.5.5. Execution of additions to the budget and related introduction.

53.6. If adjustment/reallocation of the budget as stated in Article 41 of this law is made, program performance shall be reported in comparison with initial projected targets.

#### **Article 54. Pre-election economic and fiscal outlook report**

54.1. The Government shall submit a pre-election economic and fiscal outlook information not less than one month before the announcement of the date of an election of the President of Mongolia and the State Great Khural to the National Statistical Committee.

54.2. The head of the National Statistical Committee shall present the information specified in Provision 55.1 of this law to the general session of the State Great khural.

54.3. The National Statistical Committee shall prepare a pre-election economic and fiscal outlook report and publicly release this report after the information is reviewed by the State Great Khural.

54.4. A pre-election economic and fiscal outlook report shall contain the following information:

54.4.1. An assessment of the Government's economic, financial and fiscal policies implemented by the Government during its term in the context of the special fiscal requirements established in Article 6 of the Fiscal Stability Law;

54.4.2. The macroeconomic and fiscal assumptions for the next four years;

54.4.3. A statement of the amount, purpose and terms and conditions of Government debt and contingent liabilities, and a tabulation of debt in arrears with principal and interest amount;

54.4.4. An assessment of the amounts and its adequacy for ensuring fiscal stability, and projected changes over the next two years of resources accumulated in Stability Fund of the Government;

54.4.5. contingent liabilities;

54.4.6. Publicly announced Government commitments reflected in the Government action program and estimated costs to be borne from the budget and sources;

54.4.7. Government's debt and amount of the guarantees reflected in Government negotiations.

54.4.8. Effect of information on all decisions and actions of the Government made during election years on the financial and fiscal outlook of the forthcoming years;

54.4.9. An explanation on whether medium term economic, financial and fiscal assumptions are consistent with Medium-Term Fiscal Framework Statement approved by the state Great Khural or the Budget, and the special fiscal requirements established by the Fiscal Stability Law.

54.5. Potential risks of information outlined in Provisions 54.4.5-54.4.8 of this law that may have effects on fiscal outlook shall be expressed in numbers.

## **CHAPTER NINE**

### **Local budget relations**

#### **Article 55. Fiscal relations between budget levels**

55.1. Transfers from upper level budget to lower level budget shall be made in the following forms:

55.1.1. financial support rendered from upper level budget to lower level budget for financing basic budget deficit of the lower level budget;

55.1.2. revenue transfers from upper level budget to lower level budget for implementation of its investment, programs, projects and activities; and

55.1.3. Special purpose subsidy allocated from the state budget to implement some Government functions delegated (delegated responsibilities) to local government.

55.2. Portion of the basic budget surplus of lower level budget equal to base expenditure shall be retained and the residual shall be mobilized to upper level budget.

55.3. A body in charge of upper level budget has an authority to withheld temporarily until the period of rectification financial support, revenue transfers, and special purpose subsidies if the following breaches are revealed:

55.3.1. Breaches the budget legislation;

55.3.2. Either governor submitted his/her revenues by projecting too high without any justification or the Citizens' Representative Assembly approved it increasing by too high;

55.3.3. Breaches purpose, and conditions and requirements set for special purpose transfers;

55.3.4. Total budget is executed with deficit due to incompliance of standards for services financed from the local budget;

55.3.5. Stability of local budget is disrupted; and

55.3.6. Local budget is not approved within the timeframe as specified in this Law.

55.4. The Government shall define a methodology for estimating base expenditures of local budget, standards of services to be financed from local budgets and normative for inputs and budgets of these services.

55.5. Purpose of the special purpose transfers and conditions and requirements for their spending as defined in Provision 55.1.3 of this Law shall be established by specifically by the agreement and the Government shall oversee its implementation.

55.6. If an event described in 40.4 of this Law occurs in local government by establishing a temporary procedure the Government and an organization in charge of upper level budget matters shall implement a stabilization program in the local government with the purpose of eliminating breaches stated in Provision 55.3 of this Law, ensuring enforcement of the legislation and stability of the local budget, and strengthening capacity of bodies involved in budget relations.

#### **Article 56. Local budget**

56.1. Functions to be undertaken with local budget and types of revenue to be allocated to the local budget shall be defined by this law.

56.2. Local budget shall be planned, approved and implemented without deficit.

56.3. Expenditures to be financed from the local budget's previous year's balance shall be implemented by reflecting and approving them in the budget and expenditure shall not exceed the financing source.

56.4. Short term loan can be allocated from aimag and capital city budget to finance shortage of seasonal revenue of soum and district budget revenue.

56.5. It is prohibited for the local budget to obtain loans, or to issue loans or guarantees apart from the case specified in provisions 40.5, 49.1.1, 56.4 and 61.2 of this Law.

#### **Article 57. Functions to be implemented by local budgets**

57.1. The capital city shall implement with its budget the following functions related to its level:

57.1.1. capital city management and administration;

57.1.2. Urban planning, construction and establishing new infrastructure;

57.1.3. Capital maintenance of construction and buildings owned by the capital city, establish new property and making investment;

57.1.4. Social care and welfare services;

- 57.1.5. Implementing programs and measures to support employment and alleviate poverty;
- 57.1.6. Development of small and medium size enterprises;
- 57.1.7. pasture management;
- 57.1.8. Water supply, sewerage and drainage systems;
- 57.1.9. housing and public utility services;
- 57.1.10. Flood protection;
- 57.1.11. Public transport services;
- 57.1.12. Fight of infectious livestock and animal diseases, pest eradication and control;
- 57.1.13. disaster prevention;
- 57.1.14. Environmental protection;
- 57.1.15. Establishing large scale road, bridge and their lightening, traffic light and other respective construction;
- 57.1.16. Utility services for public area, gardening, public hygiene, street lightening, cleaning, and waste removal;
- 57.1.17. Within the territory of the capital city operation and maintenance services of high voltage and electricity lines and substations and other activities to ensure normal functioning; and
- 57.1.18. Other functions specified in the law.
- 57.2. Aimag shall implement with its budget the following functions related to its level:
  - 57.2.1. Aimag management and administration;
  - 57.2.2. Urban planning, construction and establishing new infrastructure;
  - 57.2.3. Capital maintenance of locally owned construction and buildings, establish new property and making investment;
  - 57.2.4. Social care and welfare services;
  - 57.2.5. Implementing programs and measures to support employment and alleviate poverty;
  - 57.2.6. Development of small and medium size enterprises;
  - 57.2.7. Provision of livestock;
  - 57.2.8. pasture management within the territory of the aimag;
  - 57.2.9. establish livestock fodder reserve;
  - 57.2.10. Water supply, sewerage and drainage systems, housing and public utility services, and flood protection;

57.2.11. Public transport services;

57.2.12. Fight of infectious livestock and animal diseases, pest eradication and control, and disaster prevention and elimination;

57.2.13. Environmental protection;

57.2.14. Establishing within the territory of the aimag and inter-soum road, bridge and their lightening, traffic lights and other respective construction;

57.2.15. Utility services for public area, gardening, public hygiene, street lightening, cleaning, and waste removal;

57.2.16. Within the territory of the aimag operation and maintenance services of high voltage and electricity lines and substations and other activities to ensure normal functioning; and

57.2.17. Other functions as defined in the law.

57.3. Districts shall implement the following functions with its budget independently:

57.3.1. District management and administration;

57.3.2. Social care and welfare services provided with the decision of district governors;

57.3.3. At the territory of districts, utility services for public area, public hygiene, street lightening, cleaning and waste removal;

57.3.4. Development of intensified livestock;

57.3.5. Nature and environmental control of district's territory;

57.3.6. Recurrent maintenance of lightening of public area within the district territory;

57.3.7. District gardening, and development and maintenance of sidewalk, recreational area and children's playground;

57.3.8. Other functions as defined in the law.

57.4. Soums shall implement the following functions with its budget independently:

57.4.1. Soum management and administration;

57.4.2. Social care and welfare services provided with the decision of soum governors;

57.4.3. At the territory of soums, utility services for public area, public hygiene, street lightening, cleaning and waste removal;

57.4.4. Provision of livestock;

57.4.5. Pasture management within the territory of the soum;

57.4.6. Nature and environmental control of soum's territory;

57.4.7. Recurrent maintenance of lightening of public area within the soum territory;

57.4.8. Soum gardening, and development and maintenance of sidewalk, recreational area and children's playground;

57.4.9. Other functions as defined in the law.

57.5. Functions specified in 57.1-57.4 of this Law shall be financed from the following sources:

57.5.1. Tax and non-tax revenues of aimag, capital city, soum and district;

57.5.2. Revenue transfers allocated from the state budget;

57.5.3. General purpose transfers allocated from the state budget;

#### **Article 58. General local development fund**

58.1. General local development fund shall be generated from the following sources:

58.1.1. 25 percent of VAT of goods and services except imported goods and services;

58.1.2. 5 percent of the mineral resource exploitation tax revenue;

58.1.3. Grants and donations rendered by domestic non-governmental organizations and official foreign aids to support local development; and

58.1.4. Generated funds as defined in Provision 55.2 of this Law.

58.2. Aimag and capital city shall reallocate not less than 60 percent of transfers allocated from the general local development fund to soum and district development fund taken into consideration indicators defined in Provision 58.3 of this Law.

58.3. The following indicators shall be considered in defining transfers from the general local development fund to the local budget in the fiscal year:

58.3.1. Development index of local government;

58.3.2. Number of population;

58.3.3. Population density, remoteness and size of territory; and

58.3.4. Tax initiatives of local government.

58.4. In allocating mineral resource exploitation tax from the General Local Development Fund, per person amount in the particular local area where mining is carried out shall be increased by upto 10 percent compared to other local areas' per person amount.

58.5. Additional resources specified in 58.4 of this Law shall be expended only for environmental protection and recovery activities in that local areas.

58.6. The Government shall determine a methodology for estimating transfers to be allocated from general local development fund and local development fund.

#### **Article 59. Local development fund**

59.1. A particular level's general budget governor shall have a local development fund aimed at supporting local development.

59.2. Local development fund shall be generated from the following sources:

59.2.1. Transfers to be allocated from the general local development fund;

59.2.2. Fund stated in Provision 58.2 of this Law; and

59.2.3. Basic local budget surplus;

59.2.4. Additional sources generated through increasing tax rates and saving expenditures; and

59.2.5. Domestic and foreign grants and donations to support local development.

59.3. It is prohibited to spend local development fund sources for the following purposes:

59.3.1. Programs and activities other than those articulated by the law to be financed from the local budget;

59.3.2. Expenditures of local self governing body, local administrative body, political parties and NGOs;

59.3.3. Holidays, festivals, anniversary celebration, and religious events other than the national festivals;

59.3.4. Activities that are not in common interest of public;

59.3.5. Issue loans, issue guarantees with financial consequences, and take commitment to cover loss or damages; and

59.3.6. Expenditures and measures that do not reflect local community opinions and not reflected and approved in the local budget.

**Article 60. Functions delegated to local government (delegated expenditure responsibilities of local government)**

60.1. Aimag and the capital city Governors shall implement the following expenditure responsibilities on behalf of the Government :

60.1.1. pre-school education services;

60.1.2 secondary education services;

60.1.3. cultural services;

60.1.4. primary health care services;

60.1.5 land relations and cadastre services

60.1.6. child protection services; and

60.1.7. public physical activities

60.2. Delegated expenditure responsibilities specified in 60.1 of this Law shall be financed by the special purpose transfers allocated from the state budget on the basis of agreement specified in Article 38 of this Law.

60.3. Aimag or Capital city governors shall submit a proposal on distribution of the budget for each expenditure responsibility within the local budget proposal to the Citizens' Representative Assembly at the respective level within the timeframe specified in the law.

60.4. Aimag, capital city, soum and district's Citizens' Representative Assembly shall approve the distribution of the budget for each expenditure responsibility based on the agreement specified in 38.1 of this Law and the proposal submitted by governor without decreasing the total amount transferred by the agreement specified in Article 38 of this Law.

60.5. Special purpose transfers shall be transferred to aimag and capital city treasury in accordance with monthly and quarterly allotment schedule defined in this Law.

#### **Article 61. Local government borrowing**

61.1. Aimag and capital city may borrow from the Central Treasury for the purpose specified in 40.5 and 49.1.1 of this Law aimed at covering its budget revenue shortage within the particular fiscal year with the condition of repayment.

61.2. The capital city can finance investment projects required for implementing functions specified in 57.1 of this Law from the following sources:

61.2.1. loans obtained from domestic and foreign commercial banks and financial institutions with term up to four years; and

61.2.2. securities issued in accordance with paragraph 4.2 of Article 4 of the Law on Securities Market.

61.3. The total amount of unpaid debt including loans and repayable amount specified in 61.2 of this Law shall not exceed previous year's base revenue and the total amount of the debt service shall not exceed 15 percent of the base revenue of the previous year respectively.

61.4. It is prohibited to use the following assets and revenues as collateral for the capital city borrowing:

61.4.1. capital city property which is required to fulfill its responsibilities specified in 60.1 of this Law; and

61.4.2. all budget revenues of the capital city including special purpose transfers allocated from the State budget.

61.5. The Capital city governor shall follow the following in borrowing and issuing securities for the purpose specified in 61.2 of this Law:

61.5.1. if it is required to inform the public on the purpose of loan, organize open public hearing;

61.5.2. obtain permission on borrowing and issuing securities from the Central Administrative Body responsible for Finance and Budget Matters;

61.5.3. get it discussed and obtain permission on investment projects financed by loan sources from the Citizens' Representative Assembly.

61.6. A copy of the agreement shall be submitted to the Central Administrative Body responsible for Finance and Budget Matters within 10 days of signing the loan agreement by the Capital City Governor.

#### **Article 62. Ensuring community participation in the local budget process**

62.1. Governor of bagh and khoroo (smallest administrative and territorial unit of aimag and capital city) shall conduct an open survey and questionnaire on investment, programs, projects and activities to be implemented by the Local Development Fund in their bagh and khoroo, and sequence and means for implementing them .

62.2. The result of the questionnaire stated in provision 62.1 of this Law and ideas initiated at the khoroo and bagh's citizens' khurals shall be discussed by the khoroo and bagh's citizens' khurals and projects and activities shall be prioritized and selected.

62.3. As stated in provision 62.2 of this Law soum and district's Governor's office shall prioritize proposals presented by the khoroo and bagh's citizens' khurals in conformity with the local development policy and priorities and reflect them in the budget proposal and submit it to soum and district's Citizens' Representatives' Khural.

62.4. Soum and district's Citizens' Representatives' Khural shall discuss and approve the proposal stated in provision 62.3 of this Law.

### **Article 63. Authorities and Responsibilities of Citizens' Representatives' Assemblies**

63.1. Assemblies of Aimag, Capital City, Soums and Districts shall have the following authorities and responsibilities in relation to local budget management and financing:

63.1.1. Debate, approve and oversee the implementation of the Governor's action program;

63.1.2. Debate and approve the budget and its supplementary budget for the fiscal year, oversee their implementation and inform public;

63.1.3. Discuss and approve the budget execution; and

63.1.4. Conduct hearing on Governor's presentation on budget execution report and financial statements.

### **Article 64. Authorities and Responsibilities of Aimag and Capital City Governors**

64.1. Aimag and Capital City Governors shall have the following authorities and responsibilities in relation to local budget management and financing:

64.1.1. Formulate a budget proposal and supplementary budget proposal for discussion and approval, and administer and report on the execution of the budget to the citizens' Representative Assembly of the relevant level;

64.1.2. Consolidate, develop and submit to the respective General budget governor a budget proposal, budget execution, monthly and quarterly statements and financial statements of state budgetary bodies in the local area and programs and activities to be financed from the state budget.

64.1.3. Establish agreements on implementation of some Government functions delegated to local government with respective general budget governors;

64.1.4. In conformity with respective law, establish an agreement on the purchase of work and services to implemented by the local budget resources;

64.1.5. Submit the local budget to the state central administrative body responsible for finance and budget matters within 14 days after its approval by the Citizens' Representatives' Assembly.

64.1.6. Finance budgeted expenditures of state budgetary bodies for their planned purposes, without disruption and fully in a timely manner according to the agreement stated in Provision 38.1 of this Law.

64.1.7. Approve staffing number of budgetary bodies of the relevant level by each budget governor.

### **Article 65. Authorities and Responsibilities of Soum and District Governors**

65.1. Soum and District's Governors shall have the following authorities and responsibilities in relation to local government budget and finance:

65.1.1. formulate a budget proposal and its supplementary budget proposal for discussion and approval, and administer and report on the execution of the budget to the citizens' Representative Assembly of the relevant level;;

65.1.2. Consolidate, develop and submit to the respective General budget governor a budget proposal, budget execution, monthly and quarterly statements and financial statements of state budgetary bodies in the local area and programs and activities to be financed from the state budget.

65.1.3. Establish an agreement with aimag and capital city governor on implementation of some Government functions delegated to local government.

65.1.4. Submit the local budget to the aimag and capital city governor within seven days after its approval by the Citizens' Representatives' Assembly.

65.1.5. Finance budgeted expenditures of state budgetary bodies for their planned purposes, without disruption and fully in a timely manner according to Provision 38.2 of this Law.

65.1.6. Approve staffing number of budgetary bodies of the relevant level by each budget governor.

### **Article 66. Formulation and submission of local budget**

66.1. Aimag, capital city, soum and district governor shall develop and submit to the respective Assembly local budget proposal along with the presentation specified in provision 66.2 of this Law.

66.2. The following shall be attached to the presentation of the local budget proposal in addition to those articulated in provisions 32.2.1-32.2.12 and 32.2.19 and 32.2.20 of this Law;

66.2.1. Medium term plan presenting policy objectives of local budget;

66.2.2. Budget estimates and presentation of the budget proposal prepared in accordance with the budget classification specified in Article 22 of this Law;

66.2.3. A proposal on planned financial support and revenue transfers to be allocated from aimag and capital city to soum and district's budget; and

66.2.4. Fund generated to upper level budget approved in the upper level budget.

66.3. In the course of preparation of aimag, capital city, soum and district's budget proposal, budget proposals shall be presented to the public and comments and requests of citizens of the aimag, capital city, soum and district shall be presented to the respective Citizens' Representatives' Assemblies.

### **Article 67. Approval of the local budgets**

67.1. The local budgets shall be approved by reflecting the items defined in Provisions 33.2.1-33.2.6 of this Law.

67.2. During discussion of the budget by citizens' Representative Assemblies, additional requests on investment projects and activities shall be reflected in the budget upon receipt of assessment of a body who submitted the budget whether the additional requests meet requirements defined in Article 29 of this law.

67.3. Budgets approved by the Assemblies shall be presented to public in accessible and transparent ways.

## **CHAPTER TEN**

### **Audit and Inspection**

#### **Article 68. Internal audit**

68.1. Each general budget governor shall establish an internal audit unit and operate an internal auditor aimed at controlling enforcement of legislation, conducting financial inspection of budget revenue generation and its spending such as budgetary assets and liabilities, revenues and expenditures, programs and activities and investment, making assessment, evaluation and recommendation and providing with risk management.

68.2. State Central Administrative Body Responsible for finance and budget matters shall provide general budget governors' internal audit units with methodological guidance.

68.3. Financial activities of budgetary entities, state and locally owned legal bodies and legal bodies with majority portion of state and local property under the responsibility of general budget governors shall be subject to internal audit.

68.4. Internal auditor shall hold a state financial inspector's license.

68.5. The Government shall approve the charter of the internal audit unit.

## **CHAPTER TEN**

### **Sanctions regime**

#### **Article 69. Sanctions for infringement of the legislation**

69.1. A judge or state financial inspector shall impose the following sanctions on legal person for the offence if the infringement of provisions of budget laws does not call for criminal sanctions:

69.1.1. If provisions 6.2, 6.3, 6.4, 23.13, 25.9, 41.8, 56.5, 59.3, 61.3 and 61.4.1 of this law are infringed, it shall be a ground for dismissing the governor of the respective level as specified in Article 32 of the Law on Administrative and Territorial Units and Their Governance.

69.1.2. If general budget governors specified in provisions 14.1.1, 14.1.3, 14.1.14, and 14.1.4-14.1.8 of this law infringe provisions stated in 6.2, 6.3, 6.4, 25.9, 23.13, 41.1 and 41.8 of this law, it shall be a ground for the organization to dismiss the concerned officials from his/her position.

69.1.3. If infringement of provisions outlined in Article 6 and 24.2 of this Law does not call for criminal sanctions for officials who infringe these provisions, a disciplinary sanction of dismissing from the position and not rejoining the public service for 10 year period shall be imposed by the concerned authorized official who appointed that official.

69.1.4. A fine equal to 5-10 times of minimum wage shall be imposed if estimates, proposals, budgets and budget proposals specified in 8.3, 8.4, 8.5, 8.6 and 8.7 of this Law are not submitted within the specified timeframe;

69.1.5. A fine equal to 5-10 times of minimum wage shall be imposed if authorities outlined in Provisions 14.2.7, 14.2.8 and 16.5.7 of this Law are not fulfilled in lawful manner. *(Pls. note that In the final version of the IBL end of this part was not clear for the translator)*

69.1.6. *(Pls. note that In the final version of the IBL this part was not clear for the translator)*

69.1.7. A fine equal to 2-3 times of minimum wage shall be imposed for guilty body if provision outlined in 20.3 of this Law is infringed.

69.1.8. A fine equal to 5-10 times of minimum wage shall be imposed for guilty official if provisions outlined in 22.6, 25.2-25.8, 25.11, 29.6, 29.7, and 46.3 of this Law is infringed.

69.1.9. A fine equal to 10-15times of minimum wage shall be imposed for an official if provisions outlined in 30.3, 38.4, 40.2, 41.2, 42, 49.1, 50.2, 61.2, 61.3, 61.5, 61.6, 64.1.6, and 65.1.5 of this Law is infringed.

69.1.10. A fine equal to 5-10 times of minimum wage shall be imposed for an official if provisions on expending incentives of budgetary entities outlined in 45.3 and 45.4 of this Law is infringed.

69.1.11. A guilty body who opened an account for a budgetary body by infringing provision outlined in 35.4 of this law, a fine equal to 5-8 times of minimum wage shall be imposed.

69.1.12. If a position is created to implement functions that overlap the unit by infringing provision specified in 36.5 of this law, a guilty official shall be imposed of a fine equal to 2-3 times of minimum wage

69.1.13. A fine equal to 3-5 times of minimum wage shall be imposed if pre-election economic and fiscal outlook report as defined in Article 54 of this Law is not prepared and presented within the specified timeframe;

69.1.14. A fine equal to 4-6 times of minimum wage shall be imposed if obligations on public release of information are not fulfilled.

69.2. Irrespective of the type of infringement or applicable sanction, any person or institution that infringe this Law shall be liable for reimbursing the damages caused to the State.

69.3. Sanctions specified in Provisions 69.1.5, 69.1.7, 69.1.8, and 69.1.12 of this Law shall be imposed by lawyers and sanction specified in Provisions 69.1.4, 69.1.6, 69.1.9, 69.1.10, 69.1.11, and 69.1.13 of this Law shall be imposed by state financial inspectors.

## **Article 70. Entry into force**

70.1. This Law shall enter into force on the 1<sup>st</sup> of January of 2012.

70.2. Relations that rise in connection with preparation, submission and approval of 201... budget, general guidelines for socio economic development and fiscal framework statement and preparatory work for implementation of 201... budget shall be regulated by the procedures as defined in this Law starting from January 1 of 201...

#### 4. 収集資料②

### 現行の予算・財政関連法及び改訂中の法案に於ける財政・財務監理、内部監査に関する条項

#### 1. 現行のパブリックセクターマネジメント及びファイナンス法（PUBLIC SECTOR MANAGEMENT AND FINANCE LAW）に於ける財政監理に関する条項

##### 1 章

##### 総 則

#### 1 条 法律の目的

この法律は、予算編成、承認、支出(歳出)、報告、予算に関する公的機関及びその幹部の権利と義務及、公的機関の人材政策、業務活動マネジメントの原則(方針)、予算監理、責任に関する諸関係を規制することを目的とする。

##### 2 章

#### 9条 財政・予算担当中央行政機関の権限（Authorities of the State Administrative Body Responsible for Finance and Budget）

9.1 財政・予算担当中央行政機関は下記の権限を持つ。

9.1.3 Portfolio Minister(大臣)の権限範囲の公的機関によるアウトプットの供給及び予算資金により地方機関から購入するアウトプットの供給に対する監理の実施。

#### 12条 予算に関するPortfolio Ministerの権限

12.1 Portfolio Minister が下記の権限を持つ。

12.1.7 自分の担当範囲の公的機関の長期活動計画に取り上げられているアウトプットの供給状況・財政結果をモニター（監視）・評価する。

#### 17条 (Budget) General Manager の権限

17.1 General Managerは下記の権限を持つ。

17.1.8 機関内の効率的な財政内部統制の体制の構築

17.1.9 予算及びその他の財源から効率的な投資（支出）を行い、その実施に対して監理を行う。

## 6章

地方に於ける予算のマネジメントとファイナンセイング

51条 アイマグ知事、首都ガバナー、ソム長、区長の権限

51.1.7 パフォーマンス契約に記載された地方の公的機関、地方資本法人及び地方資本参加法人（**fully and partly local-owned legal bodies**）によるアウトプット（製品）の供給情况及びその財政結果に対する監理（モニター）の実施

## 7章

監理（コントロール）

60条 中央監査機関の権限 （**Authorities of the State Audit Body**）

60.1 中央監査機関（**State Audit Body**）は、監査法に規定された監査と共に公的機関及び国営法人・国家資本参加法人（**fully and partly state-owned enterprises**）の年末財政報告書（**annual financial statements**）の監査を行い、証明する。（この部分は2003年1月2日の法律により改訂された。）

64 条 政府の内部財政統制（**Internal financial inspection of the Government**）

政府は、中央及び地方の公的機関に対して、財政監視・検査を行う。

2. 新しい予算法に内部監査に関する下記の内容（条項）を取り入れることを計画している。

- 財政・予算担当カビネットメンバー（大臣）及び財政・予算担当中央行政機関（大蔵省）は、政府の予算・財政状況に対する内部監査、コントロール、検査を組織・主導し、実施する。
- **Portfolio Minister** 及び各公的機関の財務・予算、プログラムなどの実施状況の評価・結論、リスクマネジメントの確保に向けた内部監査の実施。

## 内部監査関連で実施されている活動

大蔵省内部監査・モニタリング・評価局により 2009 年第 3 四半期現在で既に実施された内部監査関連活動の概略報告は下記の通りである。

### 内部監査助言、調査、分析

1. 大蔵大臣の 2009 年 6 月 19 日の 143 号決議により “国庫活動に対する内部監査規則” が承認（認定）された。

本規則の承認により、中央及び地方の国庫の活動に於いて遵守されている法規則及びその他の法令の実施に対する内部監査実施及び国庫の活動リスクのマネジメント・資金の適切なマネジメントの構築への監理実施、技術指導・支援提供のための法的環境が整備された。

2. 大蔵大臣の 2009 年 7 月 28 日の 182 命令により、“Portfolio Minister の財政活動に対する内部監査実施規則” が承認された。この命令は、Portfolio Minister による財政、予算、資金の使い方、投資、融資・援助、購入活動、会計方針、業務活動などの結果向上、リスクマネジメントの実施、法令遵守に対する監理、内部統制改善への支援など広範囲を対象にした物である。

3. 大蔵大臣の 2009 年 9 月 14 日の 205 号命令により、リスクマネジメントの実施及び活動の結果・効率向上を図る上で幹部をサポートする義務を持つ“内部監査委員会”が設置された。事務次官が内部監査委員会の（6 人構造）議長を務め、内部監査・モニタリング・評価局局长、財政政策局局长、法務局局长、国庫局の Financing, Reporting and Accounting Division の部長、会計局副局長などがメンバーになっている。

4. 大蔵省は、予算支出の見直し、予算管理関連の法令の改善及び予算安定化の確保を目指し、パブリックセクターマネジメント・ファイナンス法の改訂及び Fiscal Stability Law の法案作成に取り掛かっている。これらの法案の改訂・作成に於いて、内部監査の法的環境の整備の観点から、大蔵大臣及び大蔵省による政府の予算・財政の内部監査の実施及び Portfolio Minister ・公的機関の財政・予算、プログラムなどの結果の実施状況に対する評価実施・結

論提供、リスクマネジメントの提供に向けた内部監査の役割を法律化することに注意を払っている。

5. 公的セクターの内部監査基準の作成に当たり、世銀により 2005 年—2006 年に実施された内部監査プロジェクトの報告書などを勉強し、内部監査基準作成の準備作業を行っている。

#### 財政・予算・資金（現金）の内部監査について。

モンゴル国大蔵大臣の命令により、Uvurkhangai, Sukhbaatar 各県の財政・国庫活動に対する内部監査・統制作業を実施するワーキンググループを設置し、監査指導書を承認し、ワーキンググループを派遣した。ワーキンググループは、“国庫活動に対する内部監査規則”に従い、内部監査・統制を実施し、報告書を作成した。上記の監査・統制の結果に基づき、Uvurkhangai 県及び Sukhbaatar 県を初め、全ての県の知事に対して大蔵大臣の正式レターを送った。

大蔵大臣により認定された指導書に従い、同局のワーキンググループが 2009 年 9 月 15 日から 25 日にかけて、Gobi Altai 県で 2008 年—2009 年にモンゴル国発展基金の資金で実施されたプロジェクト・対策の実施状況の内部監査を行い、結論・助言を作成し、結果を内部監査委員会の会議で審議し、関連省・アイマグに対して助言・指針を提供し、その実施に対して監理を行っている。

事務次官による“大蔵大臣の担当範囲のライセンス発行活動に対する内部監査指導書”に従い、株・ボンドなどの印刷、くじ (lottery) の発行、不動産評価などに対するライセンス発行情況の内部監査を実施した。本内部監査では、“営利活動ライセンス法”の実施状況、ライセンスを獲得した個人・法人による基準・条件などの遵守に対する監理、ライセンスを申請中の個人・法人に対するサービス提供状況などを監査した。

大蔵大臣の担当範囲に於いて外部監査機関が実施した監査・検査の報告書などを分析し、結果を幹部に報告している。例えば、会計検査院 (Mongolia National Audit Office) により実施された 2004 年、2005 年、2006 年、2007 年の政府財務総合報告書の監査報告書、2007 年、2008 年の国家予算執行情況に対

する監査報告書、大蔵大臣予算パッケージの 2007 年、2008 年の執行状況に対する監査報告書の結論・監査助言の実施状況の分析を行い、評価し、助言の実施を確保するために、会計検査院により実施された国家予算の監査の助言実施計画、政府財務総合報告の監査の助言実施計画を大臣命令で認定し、その実施確保に取り組んでいる。

2009 年に、外国のローン（融資）及び国内融資の使い方、結果、融資の返済状況に対して内部監査を実施し、結論・助言を作成し、結果を幹部に報告するなどの対策に作業に取り組んでいる。

Unofficial translation

**PUBLIC SECTOR MANAGEMENT AND FINANCE LAW**

**CHAPTER ONE**  
**General Provisions**

**Article 1. Purpose of the Law**

1.1. Purpose of this Law is to regulate relations connected with authorities and responsibilities of state organisations and officials with regard to preparation, approval, spending and reporting of budget, personnel policies and principles of operational management of budgetary bodies, budget control and accountability system.

**Article 2. Legislation**

2.1. Legislation on management and finance of budgetary bodies shall consist of Constitution of Mongolia<sup>1</sup>, this Law, and other legislative acts consistent to the entire Law.

**Article 3. Applications of the Law**

3.1. This law shall apply to all level organisations financed from state and local budgets, and fully and partly (with ownership participation of 51 per cent and above) state- and local-owned legal bodies.

3.2. Provisions and clauses on General Manager, Performance Agreement, outputs, outputs delivered and not specified in output purchase agreements shall not apply to the budget of intelligence body, and budgets of other organisations specified by Law.

3.3 *Appointment and dismissal of judges of the Constitutional Court and all level of courts, their number, salary and remuneration shall be regulated by relevant laws /Amendment made on 2 January, 2003/.*

**Article 4. Terms Used in this Law**

4.1. Terms used in this law shall be interpreted as follows:

4.1.1. The term "Unified budget of Mongolia" means the total of state and local budgets;

4.1.2. The term "State budget" means the total of budget approved by the State Great Hural to be mobilised and executed by the Government, and financial transfers to local governments;

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<sup>1</sup> The Constituion of Mongolia, published in "State Official Gazette", No. 1, 1992.

- 4.1.3. The term "Local budget" means the total of local revenues, financial transfers from state budget, and funding from state budget for the purchase of outputs from local bodies;
- 4.1.4. The term "Budgetary body" means an organisation, which provides works and services related to the functions of the state and funded from state or local budget;
- 4.1.5. The term "Strategic Objectives" means medium- and long-term objectives and outcomes to be achieved, which are set by the Government and the budgetary body;
- 4.1.6. The term "Fiscal Framework Statement" means a document approved by the State Great Hural, which defines limitations and balances of indicators that the Government shall follow in preparation of the next year's General guideline of socio-economic development and state budget;
- 4.1.7. The term "Appropriation Estimates" means a proposal on budget revenues and expenditure submitted by the Government to the State Great Hural, which shows allocation of budget resources by appropriation types within the limitations of the Fiscal Framework Statement;
- 4.1.8. The term "Portfolio Minister" means an official who within his/her delegated authorities determines the need for outputs to be delivered by budgetary or other bodies, and who is entitled to conclude output purchase agreement;
- 4.1.9. The term "General Manager" means an official responsible for providing day-to-day management of the budgetary body on a basis of Performance Agreement concluded with the Portfolio Minister;
- 4.1.10. The term "Output" means works and services defined by such criteria specified in the agreement like quantity, timing, quality, and costs, and to be supplied by budgetary or other bodies;
- 4.1.11. The term "Output Class" means a group of similar outputs combined for the purposes of budget allocation;
- 4.1.12. The term "Statement of Intent" means three years' objectives and action plan of fully and partly (with ownership participation of 51 per cent and above) state- and local-owned legal bodies;
- 4.1.13. The term "Other Bodies" means entities, organisations or individuals that supply on contractual basis outputs stated in 4.1.10 of this Law, and to be purchased from state and local budgets;
- 4.1.14. "Accrual Base" means recording process, which recognises revenues, expenses, assets, liabilities, and equity at the time of economic transaction when incurred and that create resource movement notwithstanding timeliness;
- 4.1.15. "Providing an Ownership Interest" means planning and implementation of measures taken by the Government upon the consent of the State Great Hural to ensure that budgetary bodies maintain human, physical and financial resources, and management of possible risks to efficiently and continuously conduct their activities within given authorities.

## **Article 5. Principles of Fiscal Management**

5.1. Budgetary bodies and officials shall conform to the following principles of management and financing:

- 5.1.1. Clearly identify at the beginning of the year objectives and outcomes to be achieved;
  - 5.1.2. Deliver the outputs for the fiscal year on a contractual basis and receive budget funding;
  - 5.1.3. Recruit civil servants only on the basis of their knowledge, education, qualification, experience and professional skills through open and competitive recruitment procedures, and fairly assess their work performance;
  - 5.1.4. Efficiently manage finance and budget, and avoid incurring receivables and liabilities.
- 5.2. The Government shall conform to the following principles in regard to budget:
- 5.2.1. Plan and manage budget on a medium-term basis;
  - 5.2.2. Ensure that average state budget operating expenses for the coming three years should not exceed average operating expenses;
  - 5.2.3. Ensure that annual operating cash flow should be in surplus;
  - 5.2.4. Ensure that in the year when terms of trade are positive the cash flow surplus should be higher than the average of three years;
  - 5.2.5. Determine and maintain appropriate annual level of Government loans upon the consent of the State Great Hural;
  - 5.2.6. Maintain stability of tax rates and taxation system.

## **CHAPTER TWO**

### **Authorities of Budgetary Bodies and Officials on Fiscal Management**

#### **Article 6. Authorities of the State Great Hural**

6.1. The State Great Hural shall have the following authorities:

- 6.1.1. Discuss/debate and approve upon the Government submission state budget revenues, funding for works and services to be borne by the state, and other revenues;
- 6.1.2. Review and approve the Fiscal Framework Statement;
- 6.1.3. On the basis of the Fiscal Framework Statement approve General guideline for socio-economic development, and the State Budget;
- 6.1.4. Create efficient budget execution and performance reporting system by budgetary bodies ;
- 6.1.5. Discuss the execution of the unified budget, and approve Financial Statements of the Government and the report on the execution of the State Budget.

#### **Article 7. Authorities of the Government**

7.1. The Government shall have the following authorities:

- 7.1.1. Implement measures on improving fiscal management relations;
- 7.1.2. Formulate General guideline for socio-economic development and annual and medium-term aggregate indicators of the annual Appropriation Estimates of the unified budget in conformity with the Government Action

Plan and the principles of fiscal management specified in Paragraph 5.2. of this Law;

- 7.1.3 Formulate in accordance with the Government Action Plan, annual Fiscal Framework Statement and, on its basis, Appropriation Estimates of state budget;
- 7.1.4 Clearly identify financing needs for works and services to be delivered by state budgetary bodies;
- 7.1.5 Issue Government securities upon the approval of the State Great Hural;
- 7.1.6 Provide effective management and use of budget financing, ensure the quality of outputs to be delivered by state budgetary bodies;
- 7.1.7 Oversee state budgetary bodies' performance in relation to budget financing.

7.2 The Government shall submit proposals to the State Great Hural on the establishment of an agency in the following cases

- 7.2.1 Outputs to be delivered by this agency are those that belong to the authorities of the state;
- 7.2.2 If it is specified by Law, and if the Government considers these outputs to be delivered by this agency.

## **Article 8. Authorities of the Cabinet Member in Charge of Finance and Budget**

8.1. The Cabinet Member in charge of Finance and Budget shall have the following authorities:

- 8.1.1. Manage the state budget performance and performance of budgetary bodies ensuring adherence to the fiscal management principles specified in Article 5 of this Law;
- 8.1.2. Present General guideline for socio-economic development, the Fiscal Framework Statement and Appropriation Estimates of state budget to the Cabinet Meeting, and be responsible for the accuracy of information and calculations;
- 8.1.3. Prepare proposals on improvement of budget management and financing, and submit them to the competent authorities for their approval;
- 8.1.4. Issue mandatory directives and instructions in regard to budget and financial management;
- 8.1.5. Ensure that payments for delivery of outputs are made from the state budget to budgetary and other bodies which comply with provisions of Agreements concluded with Portfolio Ministers;
- 8.1.6 *Effectively manage state assets, state budget resources and risks /Amendment made on 2 January, 2003/;*
- 8.1.7 Make or approve borrowings on behalf of the Government upon the approval of the Government;
- 8.1.8 Vary the terms and conditions of public securities, loan conditions, and prepare proposals to repay loans;
- 8.1.9. Manage loans and aid, and issue loans guarantees upon the Government's decision;
- 8.1.10. Manage state budget investments and debts;

- 8.1.11. Require the provision of information necessary for exercising his/her authorities from budgetary and other bodies.

## **Article 9. Authorities of the State Administrative Body Responsible for Finance and Budget**

- 9.1 The State Central Administrative Body Responsible for Finance and Budget shall have the following authorities:

- 9.1.1 Set accounting policies of budgetary bodies in conformity with International Accounting Standards, and implement these policies;
- 9.1.2 Obtain necessary information from budgetary bodies;
- 9.1.3 Monitor the delivery of outputs to be delivered by state budgetary bodies within the authorities of Portfolio Ministers, and the delivery of outputs to be delivered by local budgetary bodies and to be financed from state budget;
- 9.1.4 Prepare annual Fiscal Framework Statement, Appropriation Estimates of state budget, and the Government's proposal on supplementary State Budget, and be responsible for the accuracy of information and calculations;
- 9.1.5 Prepare whole of Government Financial Statements in conformity with the International Accounting Standards;
- 9.1.6 Prepare consolidated report on the execution of the unified budget;
- 9.1.7 Administer the centralised cash management system of state budgetary bodies in conformity with requirements specified in Article 10 of this Law;
- 9.1.8 Administer bank accounts into which receipts, and from which payments, of the state budget are made;
- 9.1.9 Issue a permission to state budgetary bodies for opening a bank account;
- 9.1.10. Administer all bank accounts of the Government that are components of the centralised cash management system.

- 9.2. The State Central Administrative Body responsible for Finance and Budget may delegate administering of some account transactions on state revenues and expenses specified by Law to other legal bodies with appropriate authorities.

## **Article 10. Requirements for the Centralised Cash Management System**

- 10.1 The centralised cash management system of state budgetary bodies shall meet the following requirements:

- 10.1.1 Provide an incentive for state budgetary bodies to accurately forecast and achieve their cash flows, and optimise their working capital position;
- 10.1.2. Efficiently manage the net position of bank accounts of state budgetary bodies while permitting these bodies to operate in a normal manner.

## **Article 11. Portfolio Ministers**

### **11.1. Following officials shall act as Portfolio Ministers:**

- 11.1.1. Head of the Office of the President in relation to the budget of the President;
- 11.1.2. *the Speaker* of the State Great Hural in relation to the budget of the State Great Hural */Amendment made on 2 January, 2003/*;
- 11.1.3. Prime Minister in relation to the budget of organisations within his/her Portfolio specified by Law;
- 11.1.4. Head of the Cabinet Secretariat in relation to the budget of the Prime Minister, the budget of the Cabinet Secretariat, and the budget of other organisations within his/her Portfolio specified by Law;
- 11.1.5. Cabinet Member in relation to the budget of the respective State Central Administrative Body and the budget of other organisations within his/her Portfolio specified by Law;
- 11.1.6. Head of the Constitutional Court in relation to the budget of the Constitutional Court;
- 11.1.7. General Judge of the Supreme Court in relation to the budget of the Supreme Court;
- 11.1.8. Chairman of the Judiciary Council in relation to the budgets of the Secretariat of the Judiciary Council, Aimag, Capital City, Soum, inter-Soum, District's and specialised courts;
- 11.1.9. General Prosecutor in relation to the budget of all level Prosecutor's office;
- 11.1.10. General Secretary of the National Security Council in relation to the budget of the National Security Council;
- 11.1.11. Head of the Parliamentary Body in relation to the budget of the Parliamentary Body;
- 11.1.12. Head of the Presidium of Aimag, Capital City, Soum and District's Assembly in relation to the budget of relevant level Assembly;
- 11.1.13. Governor of the Capital City in relation to the budget of the Capital City and the budget of the Mayor's office;
- 11.1.14. Governor of Aimag in relation to the Aimag budget;
- 11.1.15. Governor of Soum and District in relation to the budgets of Soum and District respectively.

## **Article 12. Authorities of Portfolio Ministers**

### **12.1 Portfolio Ministers shall have the following authorities:**

- 12.1.1. Adequately determine the needs for outputs within given authority, revenues and financing required;
- 12.1.2. Ensure the execution of annual Fiscal Framework Statement and execution of budget;
- 12.1.3. Appear before the relevant Standing Committee of the State Great Hural to provide necessary information related to his/her Portfolio;

- 12.1.4. Submit proposals to the respective authorities in case if there is a need for state regulation for the implementation of Portfolio strategic objectives;
- 12.1.5. Provide ownership interest of agencies and other budgetary bodies within the Portfolio;
- 12.1.6. Conclude Performance Agreements with General Managers of budgetary bodies within the Portfolio;
- 12.1.7. Monitor the delivery of outputs specified in Strategic Business Plans of budgetary bodies within the Portfolio, and assess financial performance;
- 12.1.8. Make selections from the list of candidates suggested by the State Service Council for the managerial positions listed in Paragraph 45.1 of this Law, and recommend to the competent authorities for appointment.

12.2. Portfolio Ministers may delegate to General Managers some of their authorities in written form. The exercise of such delegation shall not limit the accountability of Portfolio Minister for exercise of those powers.

12.3. Portfolio Ministers have no authority to limit or usurp powers granted by Law to General Managers within the Portfolio.

### **Article 13. Authorities of State Budgetary Bodies**

13.1. State budgetary bodies shall deliver outputs related to the functions of the state, and shall receive funding from the state budget.

13.2. State budgetary bodies shall use budget funding in accordance with Appropriations.

13.3. State budgetary bodies may deliver outputs other than those agreed with the Portfolio Minister, and may earn additional revenues in case if such a delivery is reflected in the Strategic Business Plan.

13.4. State budgetary bodies may engage in non-core activities under the following circumstances:

- 13.4.1. Portfolio Minister gives prior written approval, and non-budgetary resources to compensate the possible loss associated with such activities are clearly specified;
- 13.4.2. Such activities are properly reflected in financial statements and output delivery reports;
- 13.4.3. Such activities do not divert public assets from main use, and do not divert personnel of the budgetary body from their core activities.

13.5. State budgetary bodies may deposit surplus financial resources as part of the centralised cash management system. Interest rate to be paid on deposits shall be determined by the State Central Administrative Body responsible for Finance and Budget upon the agreement with the relevant Bank.

13.6. State budgetary bodies shall pay an annual capital charge for the use of state assets at a rate set by the State Central Administrative Body responsible for Finance and Budget.

13.7. Any savings in the capital charge expense and operating expenses of the state budgetary body may be used for training, re-training, performance incentives and for providing secure operations. However this shall not become a basis for cuts in approving next year budget of the budgetary body concerned.

#### **Article 14. General Prohibitions of State Budgetary Bodies**

14.1 Except as provided by Law, it shall be illegal for state budgetary bodies and officials to:

- 14.1.1. Borrow or lend money, repay or convert existing loans;
- 14.1.2. Open a bank account beyond the centralised cash management system;
- 14.1.3. Issue guarantees or indemnities of far going financial consequences;
- 14.1.4. Except as provided by Law, raise any revenue by levying taxes and charges, by delivering additional outputs in violation of this Law;
- 14.1.5. Spend above the appropriation limits in violation of this Law;
- 14.1.6. Invest in financial and equity instruments other than deposit with the centralised cash management system;
- 14.1.7. Use revenues from sale of assets for financing operating expenses;
- 14.1.8. Unreasonably dismiss employees, and violate provisions of Paragraph 5.3.1 of this Law.

#### **Article 15. State Revenues, Expenses, Assets and Liabilities**

15.1. Revenues, expenses, assets and liabilities incurred from works and services provided by state budgetary bodies on behalf of the state shall be accounted for in separate statement of "state revenues, expenses, assets and liabilities".

The State Great Hural and the Government, upon the consent of the State Great Hural, shall determine state revenues, expenses, assets and liabilities.

15.2. All cash flows relating to revenues, expenses, assets or liabilities specified in Paragraph 15.1 of this Law shall be recorded in a "state revenues, expenses, assets and liabilities" bank account to be managed by the State Central Administrative Body responsible for Finance and Budget.

15.3. Portfolio Minister shall ensure the management of state revenues, expenses and liabilities within his/her Portfolio, as specified in Paragraph 15.1 of this Law.

15.4. Relevant Portfolio Minister may delegate some responsibilities stated in Paragraph 15.3 of this Law to the General Manager as outputs to be delivered by the General Manager through reflecting them in the Performance Agreement of the General Manager concerned. Exercise of such delegations shall not limit the accountability of the Portfolio Minister for the delegation of those responsibilities .

## **Article 16. General Manager**

16.1 Budgetary Bodies shall be managed by General Managers who shall provide these budgetary bodies with efficient operational management and be responsible for their performance.

16.2 Following officials shall act as General Manager:

- 16.2.1. First Deputy Head of the Office of the President in relation to the budget of the President *and the Office of the President /Amendment made on 2 January, 2003/*;
- 16.2.2. *General Secretary* of the Secretariat of the State Great Hural in relation to the budget of the State Great Hural */Amendment made on 2 January, 2003/*;
- 16.2.3. First Deputy Head of the Cabinet Secretariat in relation to the budget of the Prime Minister, and the budget of the Cabinet Secretariat;
- 16.2.4. State Secretary of the State Central Administrative Body /Ministry/ in relation to the budget of the respective body;
- 16.2.5. Head of an agency in relation to the budget of the agency;
- 16.2.6. Head of the Office of the Constitutional Court in relation to the budget of the Constitutional Court;
- 16.2.7. Head of the Office of the National Security Council in relation to the budget of the Council;
- 16.2.8. Head of the Office of the High Court in relation to the budget of this Court;
- 16.2.9. General Secretary of the Judiciary Council in relation to the budget of the Secretariat of the Judiciary Council;
- 16.2.10. Head of the Office of Aimag, Capital City, Soum, inter-soum, District's and specialised courts in relation to the budget of relevant level court;
- 16.2.11. Head of the Secretariat of the General Prosecutor in relation to the budget of all level of Prosecutor's office;
- 16.2.12. General Secretary of the Presidium of Aimag, Capital City, Soum and District Assembly in relation to the budget of relevant level Assembly;
- 16.2.13. Head of the Office of Aimag, Capital City, Soum and District's Governor in relation to the budget of *the Office of relevant level Governor /Amendment made on 2 January, 2003/*;
- 16.2.14. Head (director) of other budgetary bodies in relation to the budget of this budgetary body.

16.3. The State Great Hural shall determine positions who shall act as General Manager of other Parliamentary Bodies.

16.4 General Manager may delegate in a written form some of his/her authorities to relevant official of the budgetary body. This exercise of such delegation shall not limit the accountability of the General Manager for the delegation of his/her authorities.

## **Article 17. Authorities of General Manager**

17.1. General Manager shall have the following authorities:

- 17.1.1. Pay out expenditures subject to the appropriation limits and output purchase agreements;
- 17.1.2. Invest within the Government limits;
- 17.1.3. Open a bank account of the budgetary body upon approval by the State Central Administrative Body responsible for Finance and Budget;
- 17.1.4. Manage the budgetary body's assets in conformity with its Strategic Business Plan;
- 17.1.5. Determine the staffing and salary fund of the budgetary body.
- 17.1.6. Achieve the operational performance of the budgetary body as specified in its Strategic Business Plan;
- 17.1.7. Provide the budgetary body with efficient budget management;
- 17.1.8. Establish an efficient system of internal financial control;
- 17.1.9. Provide efficient investment from state budget and from other sources, and implement control over its realisation;
- 17.1.10. Ensure the integrity of financial statements of the budgetary body;
- 17.1.11. Ensure the provision of information in the form and within the time framework requested by the State Central Administrative Body responsible for Finance and Budget as it is specified in the Chapter 4 of this Law;
- 17.1.12. Observe the principles stated in Paragraph 5.1.3 of this Law in appointing, dismissing, and remunerating staff of the budgetary body;
- 17.1.13. Follow financial instructions and accounting standards and other respective rules and regulations to be exercised in the budgetary body;
- 17.1.14. Other authorities specified in this Law.

## **Article 18. Performance Agreement of the General Manager**

18.1 General Manager of a budgetary body shall act on the basis of performance agreement concluded within the timeframe specified in Paragraph 18.4 of this Law.

18.2 Performance Agreement shall reflect objectives specified in the Strategic Business Plan, General Manager's personal performance objectives, and assessment criteria of the General Manager's performance.

18.3 Performance Agreement shall be concluded in the following way:

- 18.3.1. General Manager of state budgetary body directly with the Portfolio Minister to whom s/he is accountable for;
- 18.3.2. In case of state budgetary body which directly reports to the General Manager of another state budgetary body by the decision of the Portfolio Minister, the General Manager shall conclude Performance Agreement directly with the General Manager of that budgetary body;
- 18.3.3. Head of the Office of Aimag, Capital City, Soum and District's Governor and Head of the local budgetary body shall conclude Performance Agreement with respective level Governor.

18.4 Performance Agreement shall be concluded within one month from the date of the approval of the State Budget by the State Great Hural.

## **Article 19. Accountabilities of the General Manager of Agencies to the Portfolio Minister**

19.1. The General Manager of an agency shall be accountable to the Portfolio Minister for performance of his/her agency unless otherwise stated in Law.

19.2. The responsibility of the General Manager of an agency to the Portfolio Minister shall only be in relation to agency's financial performance and ownership interest.

19.3. Portfolio Minister shall take the responsibility for determining the outputs to be purchased from the agency.

19.4. Where a Portfolio Minister considers it efficient, and with the agreement of the General Manager of the agency concerned, Portfolio Minister can determine that the General Manager of the agency shall be responsible to the General Manager of a Ministry or another agency.

19.5. As it is specified in Paragraph 18.3 of this law, the General Manager of a Ministry or another agency, whom the General Manager of an agency is responsible for, shall undertake the following functions:

- 19.5.1. Each year conclude Performance Agreement in conformity with Paragraph 18.3 of this Law;
- 19.5.2. Implement the Strategic Business Plan of the agency, and spend budget allocations;
- 19.5.3. Ensure consistency of the outputs to be delivered by the agency with the outcomes and strategic objectives for the Portfolio;
- 19.5.4. Monitor the financial performance and other ownership performance of the agency;
- 19.5.5. Review the annual performance of the agency and the personal performance of its General Manager.

19.6. Portfolio Minister shall be accountable to the State Great Hural for the agencies within his/her Portfolio for matters stated in Paragraph 19.5 of this Law.

## **Article 20. Fully and Partly State-Owned Legal Bodies**

20.1. Purpose of a fully and partly state-owned legal body shall consist in efficiently delivering outputs which private sector entities are not interested in producing or are not allowed to produce.

20.2. The Law on State and Local Property<sup>2</sup>, and the Company Law<sup>3</sup> shall regulate all relations not covered by this Law.

20.3. All commercial trading activities of the state shall be carried out by fully and partly state-owned legal bodies.

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<sup>2</sup> The Law on State and Local Property, published in "State Official Gazette", No. 11, 1996.

<sup>3</sup> Company Law, published in "State Official Gazette", No. 34, 1999.

20.4 If any state budgetary body is delivering outputs in a commercial trading environment, and there are justifiable reasons why that function should not be privatised, the Government shall either establish a state enterprise to carry out those activities, or transfer those activities to an existing state enterprise.

### **Article 21. The Board of Partly State-Owned Enterprise**

21.1. The Board of partly state-owned legal body shall have the following responsibilities in addition to other responsibilities specified by Law:

- 21.2.1. Conclude Performance Agreement with the General Manager;
- 21.2.2. Monitor the performance of the General Manager;
- 21.2.3. Make key policy decisions concerning the operation of the enterprise.

21.2. While appointing Members of the Board, the State Property Committee shall select from those nominees selected by the State Service Council in conformity with the requirements of Article 45 of this Law, and who meet the following requirements:

- 21.2.1. Have the expertise necessary to fulfil the duties of the member of the Board;
- 21.2.2. Are free from any conflict of interest in relation to being the member of the Board.

21.3. The Board shall be responsible for providing relevant bodies in due time with statements and any other information specified in this Law.

21.4. If a civil servant is appointed as a member of the Board, s/he shall not be entitled for remuneration, reward or incentive except salaries set by competent bodies for fulfilling the duties of the member of the Board.

21.5. The Board shall implement authorities stated in Article 76 of the Company Law unless otherwise stated.

### **Article 22. Implementation of State Representation in Fully and Partly State-Owned Legal Bodies**

22.1 The Cabinet Member in charge of Finance and Budget shall monitor the overall financial performance of fully and partly state-owned legal bodies as a Portfolio, for their impact on the public sector as a whole, its financial position and cash flows. The State Property Committee shall be responsible for monitoring their performance.

22.2 The role of the Representatives of the state as a shareholder shall be to agree on Statement of Intent with the Board of partly state-owned legal body, and monitor achievement of those strategies. The Representatives are prohibited from being involved in the operational management of the enterprise.

22.3. State shareholders are prohibited from issuing or reducing shares without an official decision of the Government.

22.4. State shareholders shall make proposals in written form to the Board on sizes of dividends to be paid by fully and partly state-owned legal bodies.

### **Article 23. Purchase of Outputs by Portfolio Minister**

23.1. Portfolio Minister shall adequately determine the need for necessary outputs within the Portfolio, and shall purchase outputs from budgetary bodies, fully and partly state- and local-owned legal bodies and other bodies through output purchase agreement within given authority. Output purchase agreement shall specify terms of delivery of outputs and prices to be paid from the budget.

23.2. Parliamentary bodies shall provide the Portfolio Minister with the following outputs:

- 23.2.1. Policy advice, including regulatory advice;
- 23.2.2. Other services required by the State Great Hural within appropriation authority.

23.3. State Central Administrative Bodies shall provide the Portfolio Minister with the following outputs:

- 23.3.1. Policy advice, including regulatory advice;
- 23.3.2. Advice on performance agreements with agencies and other bodies within the Portfolio, negotiation of draft agreements with related bodies, and monitoring delivery of outputs and achievement of financial performance as specified in the agreement;
- 23.3.3. Other outputs to be delivered by the State Central Administrative Body.

23.4. Agencies shall provide the Portfolio Minister with outputs in accordance with their functions.

23.5. Where the Portfolio Minister wishes to purchase outputs from other bodies, these relations shall be regulated by relevant legislation.

### **Article 24. Purchase of Assets, Goods and Services by Budgetary Body**

24.1. Rules on purchase of assets, goods and services by budgetary body shall be regulated by the Law on Regulations on Purchase of Goods and Services at the Expenses of State and Local Owned Budgets<sup>4</sup>.

## **CHAPTER THREE**

### **Budget Preparation and Approval**

### **Article 25. Submission of the Fiscal Framework Statement to the State Great Hural and Its Approval**

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<sup>4</sup> Law on Regulations on Purchase of Goods and Services at the Expenses of State and Local Owned Budgets, published in "State Official Gazette", No. 17, 2000.

25.1 The Government shall submit to the State Great Hural the Fiscal Framework Statement for the following year no later than the 1st of May.

25.2. The Fiscal Framework Statement shall include the following:

- 25.2.1. Government's medium term objectives;
- 25.2.2. Government objectives on level of operating expenses and revenues, public investment plans, total and recurrent balance, forecast balance sheet and cash flow for the budget year and for the two following years;
- 25.2.3. Estimates of indicators stated in Paragraph 25.2.2 of this Law and other macroeconomic indicators, and their explanations;
- 25.2.4. An assessment of the consistency of the planned fiscal indicators with fiscal management principles specified in this Law.

25.3. The State Great Hural shall complete the review and accept the Fiscal Framework Statement at its Spring session.

#### **Article 26. Formulation of Strategic Business Plan**

26.1. Strategic Business Plan of a budgetary body shall form the basis for preparation and approval of its budget.

26.2. The plan shall contain the following information for the forthcoming three financial years:

- 26.2.1. Strategic objectives of the budgetary body for the forthcoming three years;
- 26.2.2. Outputs to be delivered during the next financial year and specified by category, quantity, quality and costs;
- 26.2.3. Forecast financial statements prepared on the basis of the same indicators as the budgetary body's annual report;
- 26.2.4. Other ownership objectives.

26.3. Cost of outputs shall be determined on the basis of full accrual cost of production, including management overheads and capital charges.

#### **Article 27. Submission of Strategic Business Plan**

27.1. State budgetary body shall submit draft Strategic Business Plan to the Portfolio Minister no later than the 1st of July, the Portfolio Minister to the State Central Administrative Body responsible for Finance and Budget no later than the 15th of August, respectively.

#### **Article 28. Submission of Statement of Intent**

28.1. The management of fully and partly state-owned legal bodies shall prepare and submit a draft Statement of Intent to the State Property Committee no later than the 1st of July.

28.2. Statement of Intent shall contain the following information for the forthcoming three financial years:

- 28.2.1. Strategic objectives of the state enterprise for the forthcoming three years;
- 28.2.2. The nature and scope of activities to be undertaken;
- 28.2.3. Explanation of the accounting policies followed by the enterprise;
- 28.2.4. Forecast financial statements including an estimate of anticipated profits;
- 28.2.5. Anticipated dividend to be distributed to the budget;
- 28.2.6. Proposed investments.

28.3 The State Property Committee shall review draft Statement of Intent of fully or partly state- and local-owned legal bodies and submit them with its proposals to the State Central Administrative Body responsible for Finance and Budget no later than the 15th of July.

28.4 The State Property Committee shall include comments of the Cabinet Member in charge of Finance and Budget, negotiate and finalise with the management of these enterprises no later than the 1st of August.

28.5 The State Property Committee shall submit the final version of the Statement of Intent of fully and partly state- and local-owned legal bodies to the State Central Administrative Body responsible for Finance and Budget.

28.6. The Cabinet Member in charge of Finance and Budget shall table the Statement of Intent to the Government and the respective Standing Committees of the State Great Hural.

## **Article 29. Portfolio Appropriation Estimates**

29.1 Appropriation Estimates of the Portfolio Minister shall be compiled on the basis of Strategic Business Plans of state and local budgetary bodies, and Statements of Intent of fully and partly state- and local-owned legal bodies.

29.2 The State Budget Proposal shall specify by each Portfolio the budget for services to be provided by the state.

29.3 Budget appropriations for all budgetary bodies shall be included in one of Portfolio Appropriation Estimates.

## **Article 30. Requirements for Portfolio Appropriation Estimates**

30.1 Appropriation Estimates for each Portfolio Minister shall meet the following requirements:

- 30.1.1. Be consistent with the State Budget Proposal;
- 30.1.2. Reflect for the Portfolio the Government's short and medium-term strategic objectives;
- 30.1.3. Specify the authorities/bodies administering the appropriations;

- 30.1.4. Specify each class of outputs to be purchased within the Portfolio, relevant bodies to supply these outputs, and expenses to be incurred in purchasing those outputs;
- 30.1.5 Explain consistency of Portfolio Appropriation Estimates with the Government Action Plan;
- 30.1.6 Specify proposed expenses on each category of allowances, benefits and other transfers within the Portfolio;
- 30.1.7 Specify proposed expenses to be incurred for each category of ownership expenses;
- 30.1.8 Identify proposed amount on each category of investment;
- 30.1.9 Specify purpose and importance of each appropriation other than appropriations for the purchase of output;
- 30.1.10 Determine total forecast budget revenue to be generated within the Portfolio and its classification;
- 30.1.11 Where relevant, compare budgeted and estimated actual figures for the previous appropriation period for each of the items specified above.

#### **Article 31. Submission of Portfolio Appropriation Estimates to the Government**

31.1 The State Central Administrative Body responsible for Finance and Budget shall compile Portfolio Appropriation Estimates and submit them to the Government no later than the 15th of September.

31.2. The Government will discuss the Appropriation Estimates for each Portfolio Minister.

#### **Article 32. Submission of the State Budget Proposal to the State Great Hural**

32.1 The Government shall submit to the State Great Hural the following state budget documents no later than the 1st of October preceding the fiscal year:

- 32.1.1 Draft General guideline for socio-economic development;
- 32.1.2 The State Budget Proposal and its (explanation) report;
- 32.1.3 Appropriation Estimates for each Portfolio Minister.

32.2. The State Budget proposal shall detail the Government's financial performance objectives by the following indicators:

- 32.2.1 Criteria necessary for assessment of implementation of fiscal management principles;
- 32.2.2 Financial statements including indicators of state revenue and expenditures, state assets and liabilities, cash flows for the forthcoming financial year and the forthcoming two financial years;
- 32.2.3. A statement of specific fiscal risks of the Government including any contingent liabilities and any potential additional expenses or revenue shortfalls that have not been incorporated into the forecast financial statements but which could result from decisions already taken by the Government;

32.2.4. A statement of consistency of Budget figures with those in the Fiscal Framework Statement, and explanation of inconsistency, if it is the case.

32.3 The Law will set classification of State Budget revenues specified in Paragraph 32.2 of this Law, and relationships between state and local budgets.

32.4 State Budget expenditure categories shall be consistent with categories of Portfolio Appropriations specified in Paragraph 33.2 of this Law .

### **Article 33. Approval of Appropriation Estimates**

33.1 The State Great Hural shall review and approve budget documents and Appropriation Bill specified in Paragraph 32.1 of this Law.

33.2. Portfolio Appropriation Estimates shall contain the following categories of appropriations:

- 33.2.1 Outputs to be purchased from state and local budgetary bodies, fully and partly state-owned legal and other bodies by each class;
- 33.2.2 Budget allowances, benefits, and other transfers by each category and class;
- 33.2.3 Ownership expenses by each category;
- 33.2.4 investments to be financed from the state budget by each investment project.

33.3 In approving Appropriation Estimates, the State Great Hural shall ensure that they are consistent with the Fiscal Framework Statement approved earlier other than the major changes occurred beyond the Government's control.

33.4 All amendments to the budget documents proposed by the State Great Hural should not change the taxation system.

33.5 The State Great Hural shall debate and approve the State Budget no later than the 1st of December.

### **Article 34. Fiscal Year**

34.1 The fiscal year shall start on the 1st of January, and finish on the 31st of December.

### **Article 35. Period of Appropriations**

35.1 The annual appropriation authority of the Portfolio Minister to use budget resources shall lapse at the end of the fiscal year.