



Twinning project “Strengthening the medium term budgeting for effective public financial management”

Preparing a coherent program budget structure for the state budget

In the spring period, experts continued with preparing the program budget structure for the state budget.

At the end of March, Ms. Katja Lautar and Ms. Irena Rostan from Slovenia continued the work with program budget classification. Ms. Lautar worked with the policy area of Economy, competitiveness and entrepreneurship and also drafted the first version for the policy area of Energy. Ms. Lautar participated in multiple meetings with different departments of the Ministry of Economy and with other budget users where the draft approach, the structure, objectives and indicators were discussed.

Ms. Rostan started with new policy area of including e.g. areas of Ministry of local self-governments and Ministry for information society and administration. Drafting work was done with Ministry of Finance budget analysts. Ms. Rostan also cross-checked the situation with the previously started policy area of Health.

Mid-April, Ms. Jana Poljak from Slovenia continued the work in the policy areas of Internal and external safety, Education, science and sports and Culture. Consultation meetings with the Agency for Youth and Sport, Ministry of Education and Ministry of Foreign Affairs were held. The policy area of Culture was finalized whereas the work will still continue with the other policy areas.

Manual for program budget reform and spending report drafts

During the months March – May, development work continued with the Manual for the program budget reform. At the end of March, Ms. Monika Geppl from Austria worked with the manual making sure that terminology, process & approach match with the draft that has been prepared for the Budget Law. Ms. Geppl also produced draft for new Budget Book contents in the policy area of agriculture and forestry as a pilot policy area example on how the new Budget would look like. It is expected that the Manual will be finalized and printed during the summer period.

During her stay in the country, the data collection templates in performance reporting as well as the process for Fiscal Strategy, Budget and Final Accounts were reviewed and some ideas were shared on how these can be used in “spending reports”.

During the same week of March, Ms. Joyce Teunissen from the Netherlands implemented an expert mission in the country with the aim to analyse the existing needs and users of the spending (and performance) reports taken from the IT-systems (e-budget and e-treasury), and to develop first ideas for future spending reports with also more performance orientation. Ms. Teunissen cooperated with Ms. Geppl and had numerous meetings with several departments of Ministry of Finance to discuss the existing reporting cycle, reports produced, the challenges encountered and the additional reporting needs. Also discussion regarding the spending and performance reporting took place.

As a result, Ms. Teunissen delivered several recommendations and a summary of the existing and recommended future reports.



Budget visualization

At the beginning of March, Mr. Benedikt Gamillscheg from Austria and Ms. Niina Puolusmäki from Finland worked together on providing ideas for budget accessibility and visualization based on Austrian and Finnish experience and supported the production of draft format for “citizen budget” leaflet.

Seminar on citizen budget and budget visualization based on Austrian and Finnish experience was implemented highlighting the importance of having accessible budget data. Austrian, Finnish and other European examples of citizen budget and budget visualization were presented to participants. Following the seminar, experts worked with representatives from Budget and Funds Department on developing the working plan and the basic structure for the Macedonian Citizen Budget. During their visit, Mr. Gamillscheg and Ms. Puolusmäki developed the table of content, timeline with responsibility of who should do what and gave recommendations for content, first charts, and visualization. Also, ideas on how to make excels for tables and charts needed in Citizen Budget were discussed.



Budget visualization seminar

Manual and trainings for MTBF (medium term budget framework) and MTEF (medium term expenditure framework)

During spring Mr. Benedikt Gamillscheg from Austria worked on further developing and finalizing the the Manual for medium term budgeting in accordance with the feedback received from the pilot budget user network and from the Ministry of Finance. The Manual was finalized and printed at the end of May 2017.

At the beginning of April, a 3-day training was organized for the new MTBF and MTEF reform (training of trainers). The training took place in Struga, Macedonia for “extended group” of pilot budget user network. Ms. Anniina Autero from Finland and Mr. Benedikt Gamillscheg from Austria supported this training with their expertise.

The main objectives of the training were:

- to understand the reasons and benefits behind the medium term budget reform – covering both theory and practise;
- to present key aspects for the reform, such as the rules for fiscal rules framework and expenditure ceiling and the new budget calendar,
- to present what is baseline scenario and how to draft baseline scenario;
- to allow budget users practice drafting baseline scenario and implement the negotiation process between BFD budget analysts and the pilot budget users

The training also supported budget analysts from Ministry of Finance, and created networking between them and the budget users.



The first day of the training included seminar presentations of the medium term budget reform and of the baseline projections. During the second day the budget users drafted their baselines, and had negotiations with the Budget and Funds Department. Training participants received printed version of the draft Manual for medium term budgeting and draft Manual for program budgeting. While half the group had the “negotiations” a workshop was implemented with the other half of the group with the aim to test budget users’ knowledge on MTBF manual – and how well the first day seminar managed to deliver information to the training participants. The test proved that participants in both groups had excellent knowledge of the MTBF manual (on average 12.3 correct answers from 15 in both groups). During this workshop, our experts also provided information on how to disseminate the knowledge gained during the training back at their home institution and among their colleagues.

52 participants took part in the training and the feedback received pointed that the objectives of the training were fulfilled. The participants pointed that the training was well organized, content was clear and easy to follow, and examples presented were relevant for the future work of the budget users.

More about the training you can find on the following links:

Macedonian link: <http://finance.gov.mk/files/u6/%D0%9E%D0%B1%D1%83%D0%BA%D0%B0%20%D0%B7%D0%B0%20%D1%81%D1%80%D0%B5%D0%B4%D0%BD%D0%BE%D1%80%D0%BE%D1%87%D0%BD%D0%B0%20%D0%B1%D1%83%D1%9F%D0%B5%D1%82%D1%81%D0%BA%D0%B0%20%D1%80%D0%B5%D1%84%D0%BE%D1%80%D0%BC%D0%B0%20%D0%BE%D0%B4%D1%80%D0%B6%D0%B0%D0%BD%D0%B0%20%D0%B2%D0%BE%20%D0%A1%D1%82%D1%80%D1%83%D0%B3%D0%B0.pdf>

English link:

<http://finance.gov.mk/files/u6/Training%20for%20medium%20term%20budget%20%20reform%20held%20in%20Struga.pdf>

Also the first meeting for the pilot budget users’ network was held in Struga. The presence of the majority members on the training was used as an opportunity to hold this first meeting. Ministry of Finance representative presented the idea behind the budget user network and what will be the role of the members. Budget users had the opportunity to ask questions and discuss in shortly project activities, future trainings etc.

Improving tax revenue forecasting

At the end of February, Mr. Ilari Valjus from Finland helped and supported the development work in the field of tax revenue forecasting of profit tax.

His visit to Tax and Customs Policy Department aimed at producing draft models for budget revenue prediction purposes. Several meetings were held with representatives from the Macroeconomic Policy Department, the Tax and Customs Policy Department, and the Public Revenue Office (PRO). During these meetings recent developments of the profit tax in Macedonia were discussed. Furthermore the current draft aggregate tax revenue forecast model for profit tax of the Ministry of Finance (MoF) was presented and discussed, as well as the PRO tax revenue forecast model. Based on this information Mr. Valjus presented ideas for establishing a new aggregate profit tax model for tax revenue prediction with suitable economic proxy (e.g. GDP, gross operating surplus).

During his visit, Mr. Valjus also supported the development of micro-simulation methods which can be used to assess tax revenues and distributional effects of profit tax changes. Tax and Customs Policy Department presented a preliminary micro-simulation framework for Macedonian profit tax. The draft micro-simulation model was then studied, calibrated and validated. Also the next steps for the development were discussed and agreed upon. During this expert visit, Mr. Valjus also explained, demonstrated and discussed calculations for the marginal effective tax rate (METR) and average effective tax rate (AETR).



In May 2017, Mr. Sami Yläoutinen was in the country and his visit aimed to address the issue of revenue forecasting: the responsibilities, procedures and cooperation in medium term revenue baseline projections. During the visit, Mr. Yläoutinen met with representatives from the Budget and Funds, Tax and Customs and Macroeconomic Policy Departments to discuss the proposed approach of revenue forecasting. The main feature of this proposal was to change the role of Tax and Customs Policy Department to have the main responsibility for the tax revenue forecasting and to increase coordination with PRO, Customs Administration and funds. A co-ordination body (e.g. the established Revenue Working Group) could support better coordination. The beneficiaries supported the proposed approach.



Revenue Working Group meeting

Mr. Yläoutinen had meeting with various stakeholders in order to start piloting medium term (tax) revenue baseline forecasting as a Revenue Working Group (representatives from MoF, PRO, Custom Administration, Employment Service Agency, Pension Funds and Health Fund took part in this meeting). The beneficiaries started producing the pilot forecast based on the instructions given during this meeting. Also subgroup meetings were held for direct taxes and indirect taxes where discussion took place on how different stakeholders do forecasting and which main issues were taken into consideration while forecasting revenues for 2018-2020.

Learning from Finland and Estonia

In the period 07 – 13 May 2017, seven representatives from the Ministry of Finance took part in a study trip to Finland and Estonia. The objective of the visit was to increase knowledge and discuss topics related to e.g. budget processes, medium term budgeting, budget IT systems, roles of different institutions, and various best practices from the two EU countries in the field of public finances planning and management.

Representatives from Ministry of Finance participated in various sessions and meetings organized in several institutions in Finland (e.g. Ministry of Finance, HAUS Finnish Institute of Public Management, Parliament of Finland, State Treasury). Also, one day visit to Ministry of Finance in Estonia was organized.

The group exchanged best practices and learned about the Finnish system of e.g. fiscal policy planning, implementation of Budget Framework Directive, macroeconomic forecasting, implementation of fiscal rules, medium term budget planning, budget IT system. During the visit in Estonia, the group learned about e.g. Estonian economic and fiscal framework, fiscal policy perspectives, and budget reforms in the field of accounting and budgeting.



IT improvements

During his visit in May, Mr. Benedikt Gamillscheg from Austria started drafting technical specifications for “future e-budget” highlighting the changes needed due to medium term budget reform. During the same period, Mr. Franz Mayr from Austria prepared an excel macro framework linking the medium term budget planning excel templates of different budget users into summary and reporting files.

During spring, Finnish experts Mr. Lauri Repo, Mr. Mika Happonen and Mr. Juha Ilanmaa analyzed the current situation related to salary/personnel IT and wage data (control of salaries) of Budget and Funds Department (BFD) with the aim to understand the short and longer term development needs for more efficient work in salary control. During their two missions meetings took place with the salary control unit of the BFD, with Ministry of information society and administration (MISA), and with Ministry of Finance financial affairs department.

Basically the work done can be divided in two:

- short term support to BFD for improvements in their current Access software, application and data;
- more long term recommendations on how the whole HR data could be developed for better harmonization.



Several changes were made to the Access system used by salary control unit e.g. to ease Excel-file importing with mass import tool and to have few specific check-ups to examine imported data before entering it into Access-database. New features were also added. All these changes will help to have more efficient working with less manual steps and still high quality data.

During the visit, also a new version of F1 form (that is being used by budget users to deliver monthly data) was developed. The new template includes new job titles according to latest legislation and MISA catalogue.

The experts started the writing work for a report which will include also more medium - or long-term - recommendations for improving HR data management and harmonization of HR data and database solutions.

Steering committee work

Steering committee work continued as planned. On 16 March 2017, 5th Steering Committee meeting was held. Steering Committee members had the chance to discuss the activities implemented during the winter period and the activities planned for the next 6 months of project implementation. Steering Committee concluded that there is a good day-to-day cooperation, activities are implemented in accordance to the work plan and progress took place in all the areas of the project.



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