



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

Preparing a coherent program budget structure for the state budget

During winter 2016 active work took place to continue defining new program budget structure for Macedonian state budget.



Working meeting

In the period 29 November – 02 December 2016, Ms. Jana Poljak and Ms. Katja Lautar from Slovenia were in the country and continued to work with the policy areas of Education, science, sport, Culture and Transport.

For the policy area of Education, science, sport and culture consultation meetings were organized with both Ministry of Education and Science and Ministry of Culture with the aim to develop the policy area structure. During the meetings, it was agreed that there is a need to divide this policy area in two having in mind that these are large areas with many investments especially in the field of culture. Following the meetings organized with the line ministries, Ms. Poljak prepared a new draft proposal for the program structure for policy area of Education, science and sports as well as for policy area of Culture (including objectives and indicators on program and subprogram level).

Meanwhile, Ms. Lautar redrafted the policy area Transport and reviewed the latest development in the field of defence. Also, Ms. Lautar worked on further developing and providing suggestions to the draft Manual in programme budgeting.

In the period 26 – 28 December 2016, Ms. Irena Rostan and Ms. Katja Lautar visited Ministry of Finance. During this visit, Ms. Rostan continued the work in the Health policy area. Existing strategies and general guidelines for reform in the health sector were used to develop draft classification including objectives and indicators. Ms. Lautar continued the work within the policy area of Internal and external safety together with the Budget and Funds Department budget analysts. Special focus was on the defense sector. During this visit also the first steps were taken with the policy area of Economy and competitiveness and policy area of Public finance. Drafts were developed for new program classification with objectives and indicators.

Several working meetings with representatives from the Ministry of Health, Health Fund, Ministry of Finance, and Ministry of Defense were held. Feedback from budget users was provided on developed drafts and discussion took place.

The work in program budgeting continued in the period 12 – 15 February 2017 with Ms. Jana Poljak and Ms. Katja Lautar from Slovenia. In this period Ms. Poljak worked on reviewing the policy area of Education, science and sports and the policy area of Culture based on comments received from budget users. Meetings with Agency for Youth and Sport and Ministry of Culture were organized where the proposal for program budget classification was further discussed. Ms. Poljak as well started the program classification for the foreign affairs (part of policy area of Internal and external safety). Expert studied and reviewed the existing strategic, legal and budget framework etc. in this area and developed the first drafts with Budget and Funds Department. Meeting was organized with the Ministry of Foreign Affairs where the proposal prepared was presented.

Ms. Lautar finalized the Public finance policy area and also worked with the Economy and competitiveness policy. The Economy and competitiveness policy area (programs, sub-programs, objectives and indicators) was developed based on strategic plans.



Meeting held with Ministry of Health and Health Insurance Fund

Meeting with the Ministry of Economy was organized where the first draft of the program structure was presented.



Manual for program budget reform

In the months December – February, the draft Manual for the program budget reform was further developed by the experts involved in this activity. Ms. Katja Lautar from Slovenia, during her visit in December gave some suggestions concerning the instructions for administrative programs, and also worked on the Manual from better understanding and user friendliness aspect.

In January, Ms. Monika Geppel from Austria continued the work with the Manual based on the feedback received from the Ministry of Finance. Special areas of focus during the mission were: how the target setting and follow up / reporting / monitoring could be organized in different documents (Budget vs. Fiscal Strategy vs. Final Accounts vs. Strategic Plan vs. separate new report or annex) and how this would change the contents of these documents; what would be the annual timetable and structure for the whole process and what are responsibilities of different stakeholders; what will be the linkage to strategic planning and to medium term budget planning. These open questions were discussed during a meeting organized on 10 January 2017 with Budget and Funds Department.



Working meeting

Preparation of draft amendments / new budget law

In the period 11 – 19 January 2017 Mr. Jouko Narikka from Finland started the work with defining changes into the Macedonian Budget Law.

During his stay in the country, several meetings were organized with Ministry of Finance, but also with Ms. Monika Geppel from Austria who was in the country at the same time. These meetings provided useful opportunity to get background information concerning the budget legislation structures and practices in Macedonia. As a result from this visit, key existing fiscal policy laws and secondary legislation were reviewed and assessed, and preliminary draft for the structure of the Government’s proposal for a new Budget Law was prepared.



Discussion on the new Budget Law

Mr. Narikka was back in the country in the period 19 – 25 February 2017 to continue the work related to defining changes in the Macedonian Budget Law. During this visit two meetings were held with Budget and Fund Department, and during the meetings feedback was provided on the proposed draft Budget Law and lots of discussion took place. One meeting was held on 23 February 2017, during which the local-self government articles were discussed. Another meeting was organized on the 24 February 2017 with the whole Budget and Funds Department including the State Adviser. During this meeting the proposal for the new Budget Law including program budget and medium term budget reform, strategic planning, general budget principles and the new budget timetable were discussed. It was agreed that the work should continue during another visit since there are some open issues left for discussion.



Discussion on the new Budget Law

Improving tax revenue forecasting

In December 2016, the development of the models related to income tax and social security contributions and VAT (assessment of fiscal impacts of tax policy changes and forecasting tax revenue) was reviewed by Mr. Jukka Mattila from Finland. Data used by the models has been improved, and trial calculations have been made at the Tax Department. The models seem adequately prepared for use in revenue forecasting, by both their technical level and the developed understanding and knowledge at the Tax Department. However, one concern still remains - the lack of data on the system of national accounts (statistics data) is slowing down progress with certain models and making revenue forecasts of certain items difficult.



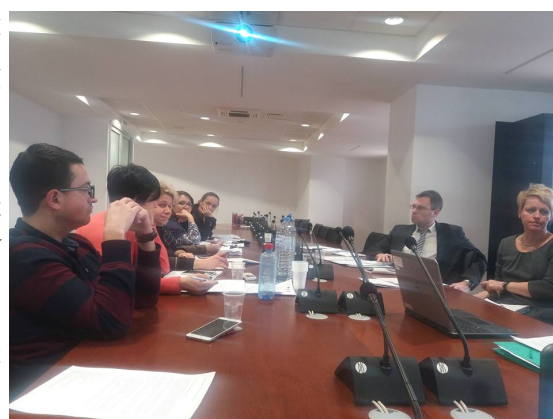
Seminar organized on 06 December 2017

In addition to the work with the models, one day seminar was organized on the topic “Evaluating dynamic effects of policy changes: understanding and applying research findings” (representatives from Ministry of Finance and Public Revenue Office took part).

MTBF (medium term budget framework) and MTEF (medium term expenditure framework)

At the beginning of February 2017, Mr. Benedikt Gamillscheg and Ms. Karin Vorauer-Mischer from Austria, and Mr. Sami Yläoutinen from Finland, worked on defining MTBF and MTEF rules and procedures.

During this visit, the Manual for medium term budget framework was further developed and the Fiscal Strategy template (i.e. MTBF template) was discussed in details. Steps for the implementation of the proposed structure for Fiscal Strategy and of the template for the contents were agreed so that first steps of implementation will take place in 2017. The timetable for spring 2017 piloting and trainings were discussed, including the establishment of the pilot budget user network. The excel-template for medium term baseline scenario for budget user data and the excel-template for new initiatives for financing were presented to Budget and Funds Department.



MTBF piloting

On 03 February 2017, first seminar/training for Budget and Funds Department budget analysts to start piloting the medium term budget reform was implemented. The seminar covered topics related to why the fiscal rules and medium term budget reform are needed - understanding the reasons and benefits behind the reform; making baseline scenario – what it means, what is included, what is excluded, what are key issues to notice; how do we make piloting of drafting baseline 2018-2020 for the biggest budget. During the seminar, the Budget and Funds Department representatives reflected on the need for the reform and presented the new annual budget process and timetable.



MTBF piloting

In addition, an excel training to support medium term baseline scenario calculation was implemented by Mr. Gamillscheg for all budget analysts from the Budget and Funds Department. The training supported the work of budget analysts with excel pivot analysis and calculations for baseline scenario.

Workshops on preparing fiscal reports in accordance of the EU standards

In the period 12 – 18 February Mr. Timo Ristimäki and Ms. Niina Suutarinen from Finland implemented 4 training workshops for participants from Ministry of Finance, State Statistical Office, National Bank and Public Revenue Office.

The first training workshop focused on EDP notification tables (by ESA2010 definitions), from table 1 to table 4. During the second workshop the focus was on debt calculations and responsibilities and cooperation between stakeholders. Training 3 was a workshop for general government sectorization during which practical examples/case studies were discussed, e.g. public enterprise for water economy Strezevo, Bitola and Agency for electronic communication. Training 4 focused on revenue statistics and revenue estimation according to ESA2010. Also on 17 February some discussion took place connected to bridge table of ESA2010 compared to ESA95 and budget accounts (area of social security contributions was discussed).

Steering committee work

On 15 December 2016, 4th Steering Committee meeting was held. Steering Committee members had the chance to discuss the activities implemented in the autumn period and the activities planned for the next 6 months of project implementation. Steering Committee concluded that there is 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.



Steering Committee meeting held on 15.12.2016

One year project anniversary celebration, held on 06 December 2016



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