



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

Short description of the Twinning project:

The overall objective of the Twinning Project is to ensure and maintain sustainable and sound public finances by improving public finance management. The activities of the Project are aimed at improving the effectiveness of medium-term budget planning, programme budgeting and budget classification, as well as fiscal reporting in line with ESA standards.

The Project was launched Dec 2015 and it will end Nov 2017. The main beneficiary is the Ministry of Finance, Department of Budget and Funds.

Components:

- **Component 1: Further improvement of programme budgeting** - The aim is to result in improved programme classification and developed procedure for defining, monitoring and reporting on programme indicators.
- **Component 2: Improved medium term budgeting** - This will result in improved capacity of the Budget and Funds Department within the Ministry of Finance and pilot budget users for medium-term budget planning.

- **Component 3: Improved fiscal reporting** - This will result in developed capacity of the Ministry of Finance for fiscal reporting in accordance with EU standards and requirements in the area of public finance.

Experts from Finland, Slovenia, Austria and the Netherlands will cooperate with experts from the Ministry of Finance in numerous activities planned for the time framework of the Project. In addition to Budget and Funds Department, there will also be cooperation with Treasury Department, Tax and Customs Policy Department, Macroeconomic Department and Department for International Financial Relations and Public Dept Management, and as well Public Revenue Office and State Statistical Office.

Kick off event - High success !

The Kick-off Conference for the Twinning Project “Strengthening the medium term budgeting for effective public financial management” was held at the EU InfoCenter premises in Skopje on January 25th 2016. Representatives from Ministry of Finance (MoF) and a number of other ministries and agencies, international organizations, other stakeholders and Embassies attended the Conference. In total over 80 participants took part in the Kick-off Conference. Media coverage was ensured.

Opening speeches were delivered by Mr. Lukaš Holub, Head of Political and Info Section at the EU Delegation, Mr. Igor Dimitrov, State Secretary at the Ministry of Finance; Ms. Anneli Temmes, Managing Director of HAUS Finnish Institute for Public Management Ltd. All welcoming speakers expressed satisfaction for the start of the project implementation and stressed the importance of the expected results from the project for the Ministry of Finance and the country. Second part of the Conference was with focus on presentations.

Presentation of the Twinning Project's main activities, outcomes and benefits for the beneficiary institution was provided by Ms. Jonna Berghäll, Resident Twinning Adviser (RTA) and Mr. Martin Noveski, Resident Twinning Adviser Counterpart.

Presentation on “Public finance management in reform – change into medium term perspective” was provided by Mr. Sami Yläoutinen, Economic Policy Coordinator, Director General at the Ministry of Finance, Finland. Mr. Alexander Zeuner, Adviser in the Federal Ministry of Finance, Austria together with Ms. Jonna Berghäll, RTA provided a presentation on “Budget in reform – implementing medium-term budgetary framework that meets the EU requirements”.

Conclusion for the Conference was made by Project leaders Mr. Reijo Lindh, HAUS Finnish Institute of Public Management and Ms. Verica Prokovic, Ministry of Finance.

More about the event you can find in the Report produced and published on the following link:

http://finance.gov.mk/files/Report%20on%20Activity%200.1%20Kick-off%20Conference_0.pdf



BC PL Ms. Verica Prokovic, MS PL Mr. Reijo Lindh, Head of Political and Info Section at the EU Delegation, Mr. Lukaš Holub, State Secretary in Ministry of Finance Mr. Igor Dimitrov, Managing Director of HAUS Ms. Anneli Temmes



Start of Component 1 activities already in December !

In the period 14 - 18 December the project started with the activity 1.1 „Identifying the strategic programs, legal documents and defining programs,, and the first expert mission was organized for Ms. Päivi Valkama from Finland and Ms. Katja Lautar and Ms. Irena Rostan from Slovenia. During the mission experts worked on reviewing and analysis of the relevant existing documentation for medium term budget framework and central budget preparation, as well as had consultation and discussion with staff of Budget and Funds Department, regarding expectations concerning the new budget programme classification and structure, the linkage of programme classification to medium term budget framework (MTBF) and strategic planning, what would be the role of Ministry of Finance and what would be the roles of other ministries and first line budget users etc. Experts implemented a Mini-Seminar on the 16 December 2015 with 29 participants from involved institutions and departments in the project, with focus on Finnish and Slovenian experience and the way of doing budget classification.

Component 1 activities continue....

In January and February 2016 activity 1.1 continued with implementation.

Expert mission was performed in the period 26–28 January 2016 by Ms. Päivi Valkama from Finland and Mr. Alexander Zeuner from Austria. The purpose of this mission was to continue working of the review and analysis of the relevant existing documentation. Experts together with the RTA took a look at the performance orientation of the budget planning and government strategic planning. During the mission one meeting was held with representatives from the Unit for Strategic Planning form the General Secretariat of the Government.

The next mission was implemented in the period 08 – 10 February 2016 by the Ms. Katja Lautar and Mr. Gregor Ficko from Slovenia. During the mission experts work focused on reviewing and analyzing the relevant legal and strategic documentation within the pilot budget areas of transport and environment and developing draft program budget classification with indicators for these sectors. One of the objectives of the mission was to test and develop the template for defining of program classification. Experts worked with employees of Budget and Funds Department on developing the program budget classification and indicators. There were also meetings with the representatives from budget users, Ministry of Transport and Ministry of Environment.

The mission had very practical and pragmatic focus. The results from the chosen pilot areas of transport, agriculture and environment will be further used to define future activities aiming to recommendations for program budget classification.



Experts working in close cooperation with BC on defining program classification within the selected key areas transport and environment



Meeting with representatives from the Ministry of Transport



Component 2 activities started in February ...

Activity 2.1 „Assessment on the current budget process and capacity of the BC central level budget institutions,, started with implementation in February 2016.



Seminar delivered 16.02.2016

First expert mission in activity 2.1 was performed in the period 15 – 18 February 2016 by Ms. Christa Bock and Mr. Benedikt Gamillscheg from Austria and RTA Jonna Berghall from Finland. During the mission key fiscal policy documents and practises were reviewed and assessed (e.g. Fiscal Strategy, Fiscal Strategy Procedures, Budget Law, Annual Budget, Circular Letter and its attachment etc.); also key assessments were reviewed (e.g. PEFA report).

Experts implemented a Seminar on the 16 February 2016 for 16 participants from the Ministry of Finance. During the seminar examples of medium term expenditure framework from both Finland and Austria were presented to participants in details. Also some other best practices from EU countries were presented to BC. Experts delivered set of recommendations to BC through their mission report and “homework” was given concerning aspects of medium term expenditure framework planning.

Second mission within this activity took place 22 – 26 February 2016 with Mr. Jouko Narikka from Finland. The focus of this mission was on local governments as part of general government, and the capacity for medium term budget planning in the field of local governments. Key fiscal documents for local self-governments were reviewed and various meetings were organized with the key personnel in Ministry of Finance, Ministry of Local Self-Government, Ministry of Education and Association for Local Self-Government ZELS. During the mission assessment of local government finance practices and medium term planning procedures was performed by the expert and findings from the assessment as well as best practices from Finland were presented to MoF personnel on 26 February 2016. At the presentation, expert gave recommendations related to funding of local governments, presented Finnish practices to manage local government finances as part of general government finances in medium term planning and gave recommendation on how to improve the presentation of information related to local self-government in the fiscal strategy.



Expert presentation concerning local government financing

Assessment and recommendations to develop the estimations of for medium term revenues

Expert mission within activity 2.3 was performed in the period 03 – 05 February 2016 by Mr. Mika Kuismanen and Mr. Jukka Mattila. During the mission assessment of the current situation in medium term revenue estimation (methods, process, cooperation between departments and other institutions, capacity for development) was carried out. Based on the meetings and on the available documentation from the work of other institutions in this field (e.g. PEFA, World Bank), experts identified areas of improvement for the medium term revenue forecast process. Experts recommended that a manual on the revenue estimation is produced. Such a manual would describe in sufficient detail the methods used in production of the revenue forecasts of the fiscal tables. Once finished, the manual could be used to help the ministry to identify problematic areas of the revenue forecast and to plan further missions.



Assessment presentation

Assessment presentation was held on 05 February 2016 with 13 participants present from MoF and Public Revenue Office. A recommendation was given to the MoF to work on establishing ways (coordination group or other form) to improve the coordination and information exchange in revenue estimation process. In addition, transparency of policy change reporting should be improved in published documentation.



This project is funded by the European Union

This publication has been produced with the assistance of the European Union. The contents of this publication are the sole responsibility of HAUS and can in no way be taken to reflect the views of the European Union.