

Program Budgeting Manual



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1. Introduction

Performance-based budgeting aims to improve the efficiency and effectiveness of public expenditure by linking the funding of the public sector to the results they deliver, making systematic use of performance information. Budgeting should not be seen as an isolated initiative. It should be viewed, rather, as part of a set of broader reforms — designed to focus public management more on results delivered and less on internal processes. The most basic form of performance-based budgeting aims to ensure that the key decision makers systematically take into account the results to be achieved by expenditure when formulating the government budget. This is what is sometimes referred to as “performance-informed budgeting” (IMF).

Ministry of Finance decided to improve and redefine the program classification of expenditure in order to help decision makers to compare the costs and benefits. This is a way to improve expenditure prioritization and to encourage into more efficient spending with awareness of the performance. Performance-based budgeting will also improve aggregate fiscal discipline, since it can improve capacity to make “fiscal space” for new spending initiatives without commensurately increasing aggregate expenditure by helping the government to target spending cuts at its least effective or least socially important programs. Performance-based budgeting fits naturally with a medium-term budget framework. The best way to improve expenditure policy formulation is both to make maximum use of performance information and to consider the medium-term cost implications of expenditure choices.

The biggest challenge in the development of a performance-based budgeting is keeping this performance information simple, affordable, and usable. In order for performance-based budgeting to work, reconsideration of spending priorities and program performance need to be formally integrated into the budget processes..

Under program budgeting, the budget users should present and justify their budgets in terms of programs with supporting cost and performance information. In addition, this information should be presented to the legislature and public as part of the budget documentation or annexed to it.

There are also a number of prerequisites that should be met, e.g. the existence of sound macrofiscal policy management, so that spending ministry budgets do not suffer uncertainty about the funding they will receive during the budget year; and ability to enforce the execution of budgets as planned. This requires respect of budgetary rules and procedures and the capacity to apply them in execution. It also requires good accounting and auditing procedures. The existence of adequate staff capacity to address the informational requirements of performance-based budgeting is the main institutional prerequisite.

1.1 Purpose of the manual

This manual serves as a guideline for the Ministry of Finance (MoF) and for the budget users to prepare for the program budget reform. It gives an overview on the new program budgeting approach. The manual contains general rules, e.g. for the definition of objectives and indicators, but it also provides practical guidance. However, there will be more detailed separate instructions for reform from the Ministry of Finance at the moment when the implementation takes place.

Aim of program classification is to align and connect strategic planning, medium term planning and budget preparation as much as possible. So that budget can be based on information on achieved results, indirectly linking the achievements and means used. Also indirect program budgets can provide direct link between objectives, results and means.

The program budget reform is planned to take place in three phases:

- The 1st phase is introduction of the classification into central budget and funds. This manual provides guidance especially for this first phase.
- 2nd phase would be to include the municipalities i.e. introduce the same classification and approach for local government budgets, and
- 3rd phase would be inclusion of broader general government sector (ESA2010 methodology, S.13) i.e. including units such as some state owned enterprises.

Final aim of the reform is to increase understanding for the whole general government and have:

(1) a new way of thinking about public finances planning and connection to fiscal planning of medium term budget framework MTBF;

(2) an actual impact on decisions regarding the allocation of funds to competitive state users – agencies, ministries and programmes;

(3) developed the (budget) processes up to the point where impacts/benefits and their corresponding costs could define how an X amount of funds should be allocated to A and B activities.

2. Program classification

What is a “program classification” for the budget?

Program classification structure (and hierarchy) for the budget is a set of categories into which the budget is divided in order to support effective and efficient planning and use of resources. The categories are set up so that all public services and activities with a common outcome are grouped together – also over the organizational structure.

This means that program classification defines groups of services delivered to external parties (“outputs”) or payments which have common outcomes. Program classification is thus not merely a statistical / reporting classification of expenditure since programs are used especially for the planning and control. This makes program classification different from the statistical classifications like the functional COFOG classification developed by the United Nations for international comparisons of expenditure composition.

Program hierarchy is multilevel program-based classification of expenditure, in which policy area is broken to programs, and programs are broken into lower level sub-programs.

2.1. Current budget programs

At the moment the basis of the Macedonian budget are:

- i) government programs related with the strategic priorities of the Government (classification with letter + letter or letter + number),
- ii) development programs with indicative 3-year budget (classification with number + letter) and
- iii) budget programs (classification with number + number).

Coding of the classification is not always clear and new budget programs are also often introduced, which makes follow-up complicated. In addition, there are the 3-year strategic plans, which often are based on different programs, objectives and indicators – and connected to organisational structure.

The idea behind this program budget reform is that in the future there will no longer be any government programs, development programs and other programs. Instead there will be a 3-level program structure (policy area – program – sub-program) that highlights on the whole the Government strategic priorities.

The classification will be stable over time with no major changes taking place. The same classification, objectives and indicators will be used as basis for the budget and supplementary budget, the medium term budget planning (Fiscal Strategy), the strategic planning and for the final accounts reporting. The next chapters describe the new way of program budgeting more in detail.

2.2. Policy areas

What is a “policy area”?

Government’s policy and strategic planning can be divided into various “policy areas” where each of them aims to achieve the same general objectives. In the new program budget classification the budget is structured into 14 policy areas. The policy areas form the highest level of classification in the new program budget structure (see also Annex 2).

List of policy areas:

- Institutions of democratic political system, integration and civil society
- Internal and external safety
- Foreign policy and internal cohesion
- Justice
- Public finances
- Economic development, competitiveness and entrepreneurship
- Energy
- Environment and climate change
- Transport
- Agriculture and forestry
- Social care and labour market policy
- Education, science and sports
- Culture
- Health.

The policy areas have been designed to allow decision makers, citizens and tax payers to see what policies are pursued, and within them, which public services and activities make up the policies, and how much money is spent on each of them. The policy areas therefore do not follow the organizational classification but each of them covers areas of various ministries and budget users. Policy areas are categories of expenditure based on groups of various outputs and outcomes with a common general objective, which is usually an impact on society or general outcome.

Strategic planning of the policy areas enables government to structure the budget on the basis of missions and objectives rather than trying to integrate strategic policy planning into the budget process

separately¹. Policy follows the basic principles of the government. It declares priority objectives that government seeks to achieve and preserve in the interest of the country.

To ensure clear responsibilities of policy areas, one line ministry and minister will be appointed to be in charge for the respective policy area, based on majority of actions and measures within the policy area. This ministry and minister will cooperate with other budget users of the policy area. Also within the Ministry of Finance there will be one budget analyst at the Budget and Funds Department designated as contact person for each policy area.

2.3. Programs

What is a "program"?

A "program" comprises of sub-programs with series of public services and activities that all serve the same purpose and same specific objectives. Programs form the second level of the new program budget classification. In the classification each program is clearly assigned to one policy area – supporting the general objectives of the policy area.

Example: Programs under the policy area of Justice

- Quality and availability of court activities
- Executions of sanctions and probation
- Competences of the public prosecution and the state attorney
- Institutional assurance of the rule of law and legal security.

Preferably there is around 3-4 programs under one policy area. The number of programs depends on the size and structure of the policy area, but in no case there should be more than 5 programs in one policy area.

There are some general rules on how to form programs. Program should:

- combine all activities, services, products, transfers payments and projects that serve the same purpose and target for the same objective (regardless of the revenue source)
- be a group of public services delivered to external parties (e.g. children, pensioners, business companies) with common outcomes
- be linked to only one function, if possible
- be hierarchically structured

¹ "The more a strategic plan tries to influence the budget, the less strategic it is likely to be" (Allen Schick: Does Budgeting Have a Future? OECD, 2001).

- be defined to support government and budget user decision making and prioritization (political and managerial)

The programs are on quite general level and the title of a program should focus on the main results. The programs (and their titles) should be defined so broadly that they would not need to be changed although some changes would take place within the sub-programs under them (new sub-programs, changes in existing sub-programs). In other words, the defined programs should not give too much restriction to the sub-programs and activities that can be classified under them. So programs should be defined for services or product lines that are of sufficient importance in government-wide policy and its intention to determine centrally the total resourcing that will be made available to them (rather than leaving this to be determined by the budget allocation decisions of institutions).

One detail to notice is that although now in the first phase of the program budget reform the focus is in central government's and fund's budget, the programs should be built so that at some point later the local government budgets and wider general government could be included without major structural changes to the classification at policy area and program level. This means that e.g. within policy areas, where there are significant public enterprises that most likely should be treated as part of general government (e.g. in transport, in economy), there could already be "a place" waiting for them at program level.

Responsibility for the implementation and monitoring of a program must be aligned with administrative unit or assigned to one with the leading role in a case of cross-sectoral with various budget users involved. To ensure clear responsibilities, one budget user will be appointed to be in charge for the respective program, based on majority of actions and measures within the program. This budget user will cooperate with other budget users of the program. Also within the Ministry of Finance there will be one budget analyst at the Budget and Funds Department designated as contact person for each program.

How to classify the grants for local self-governments?

It has been decided that local self-government grants should not be defined as one policy area or sub-program. Instead all the different competencies of local self-governments will be classified into relevant programs or sub-programs of the topic concerned.

For example, in policy area of transport there can be a sub-program of "regional and local road network" and in the policy areas of education, science and sports there can be a sub-program "primary education".

The block grants and other grants from central government budget to finance the competencies would be allocated into these sub-programs in the program budget classification. Block grants could be divided to different sub-programs for example based on average share of that competency compared to total amount of expenditure of all competencies.

2.4. Sub-programs

What is a “sub-program”?

Each program is broken down into “sub-programs” which form the third and more concrete level of the new program budget classification. Sub-programs are more specific (can be e.g. concrete projects or measures) and they also aim to achieve more concrete results and direct impacts. Sub-programs group together different public services and activities – e.g. permanent services and allowances as well as one-off projects.

Example: Sub-programs of the program “Competences of the public prosecution and the state attorney” (from the policy area of justice)

- Public prosecution
- State attorney

There is around 1-4 sub-programs under each program. Again, the number of sub-programs can vary, but in no case there should be more than 5 sub-programs under one program. The advantage for the budget users is that less sub-programs means more flexibility in planning and implementation (reallocation of resources between activities vs. between sub-programs).

The definition of sub-programs follows the same rules described for programs but they already have a more practical and sectoral approach. When drafting sub-programs also reflections of organizational classification can be considered, in order to have clearer (managerial) responsibilities for the line ministries and other budget users. If possible, each sub-program should be budget user specific (ministry/agency/institute specific).

Also the classification of sub-programs should remain stable from year to year. So the title of the sub-program should focus on the main results. The title is not intended to cover all the activities that are implemented within the sub-program because activities easily change from year to year. These activities and projects actually form the “fourth level” for the classification.

The figure below gives an overview on the new program budget classification.

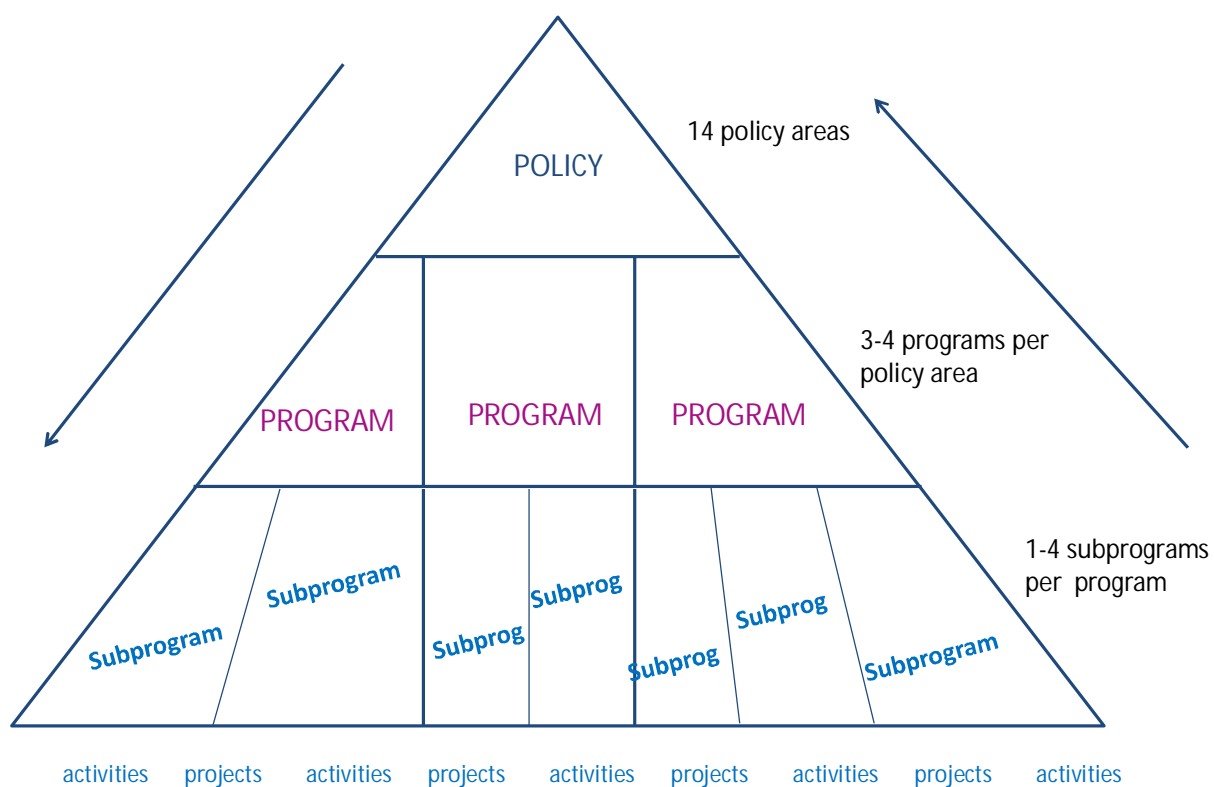


Figure 1 Program classification

The new program budget classification must be stable over a certain period of time. At the levels of policy areas and programs changes should be avoided at all costs in order to make comparison over time and to have continuity. In order to support the stability, the new implemented program classification will be defined in a by-law approved by the Government / Minister of Finance.

However, program classification should also allow for some flexibility at operational level. If there is an exceptional need (new government activities which can't be included under the existing sub-programs), budget users can propose changes to sub-programs (change of title, adding new sub-program)². While doing this budget users should coordinate with other budget users involved. New or changed sub-programs have to be negotiated with the Ministry of Finance and approved by the government. Changes are made transparent and explained in the budget.

Annex 2 contains the draft of policy areas, programs and sub-programs.

²Deleting a sub-program is not possible in the short run. Because of follow up reasons sub-programs will need to remain although there would no longer be any activities and money allocated to them.

How the coding within the new programme classification will be made?

Also in the future the budget planning and execution will be based on coding that defines the organizational classification, economic classification and program classification. However, with the new coding of budget items there will no longer be separate government, development and budget programs. In addition, more digits will be made available to code the programs and activities under them.

When the program budget reform takes place, budget preparation and execution will be aligned with budget planning (e-budget) and execution (e-treasury) IT-systems. "Bridge" (conversion table) will be built from the old budget coding into new coding so that each and every budget item and activity /project will have its place in the new program budget classification.

In practise detailed linking from old budget classification is planned to be developed with a pilot year, during which in the budget users payment orders data will be provided also by new program budget classification code (as well as other information). In this way, the last budget prepared by the old program classification would be clearly (and very simply) linked to the new classification. This must be done very carefully and including expertise of Treasury Department, Budget and Funds Department and budget users.

In the new coding attention will be also paid to projects and activities of sub-programs ("fourth level" of the program classification). They will not be shown in the Budget, but as they contain relevant information for budgeting and decision making it will be considered to provide this information in an additional table.

Ministry of Finance will provide later more detailed information about the coding of the new program classification.

3. Objectives

What is an “objective”?

Objective describes the final state of what we want to achieve with government actions.

They also enable employees to plan and organize their work in accordance with achieving predetermined outcomes, outputs and results.

Depending on the level where objectives are set (see the description of the hierarchy of objectives in chapter 3.1), their content can relate to specific impacts on society, outcomes and outputs of services, improving internal processes etc.

How are objectives organised?

At highest level of hierarchy there are the general objectives of the policy areas. These are changes brought about by public interventions upon individuals, social structures, or the physical environment.

At the second level are the more specific objectives of the programs. These objectives also support the achievement of the highest level general objectives. These are activities, services, products, transfers and projects provided by budget user.

For the third level of sub-programs the desired results are defined with very clear linkage to activities (as direct impact of measure, project). Also at this level the objectives should be such that they support the achievement of the higher level objectives.

Specific objective of program should not have more than 3 supportive result objectives at sub-program and general objective of policy area should not have more than 3 supportive specific objectives at program level (“3 to 1”).

The hierarchy of objectives is not only important for the budget planning but also for the follow-up of objectives and indicators. It helps budget users and the Ministry of Finance to identify why certain objectives have been or have not been achieved and how to improve performance in the future.

3.1. Hierarchy of objectives

Policy areas - general objectives

For each policy area 1-3 general objectives are defined. These objectives should highlight the macro level targets of public spending in that policy area. The objectives of a policy area should be defined on

very general level, they are something that follows as a consequence of specific objectives. General objectives are formulated in a way that makes them stable over a certain period of time.

We have to be aware that on this level we do not have 100 % (or sometimes only limited) influence on the achievement of the objectives as external factors (e.g. economic growth, climate change) can play a role too. This of course also needs to be taken into account when it comes to the follow-up of objectives and reporting.

Fictitious examples of objectives of policy areas

- Increase of security and safety of transport
- Ensuring sustainable public finances
- Increasing employment
- Ensuring quality education for all people and promote lifelong learning
- Maintaining integrity and respect of civil democratic rights
- Ensuring healthy lives and promoting well-being for people at all ages

Programs - specific objectives

The specific objectives of the programs support the general objectives of the corresponding policy area. Each program should contain 1-3 specific objectives.

In comparison to the general objectives of the policy area the specific objectives at program level are more concrete. They can, for example, have focus on a specific target group (e.g. it is encouraged to use gender-related objectives when possible). At this level special focus should be put into concreteness and measurability of the objective – it is advised to avoid very general objectives of “ensuring...” or “maintaining...” at the program level.

The focus could be on external objectives. These are objectives that relate to external parties (groups of citizens such as children and pensioners; business companies; etc.) and the outcome of government's activities. Internal objectives, which for example aim to improve internal processes, are rather subject of administration programs – or sometimes sub-programs.

Fictitious examples of objectives of programs

- Better reintegration of unemployed people into the labour market
- Reducing the number of school drop-outs
- Better reconciliation of work and family life
- Reducing the number of road accidents
- Better protection against violence, especially violence against women, children and elderly people.
- Improving the legal framework and respect for human rights and freedoms.

Sub-programs – results

Under each sub-program as objectives there are 1-3 expected results. Results are concrete and with very clear linkage to groups of activities and their outputs. Result is a consequence, or conclusion, from measures, projects, activities etc. after a period of time. At sub-program level we should be able to have almost 100 % influence to really achieve the aimed results. One can use also single output as objective but it would be better that objective (result) would cover various outputs.

Fictitious examples of results of sub-programs

- Expanding child care facilities
- Increasing the quantity of all-day schools
- Expanding police patrolling on roads
- Efficiency of the courtsystem.

The following figure gives an overview on the objectives set at the different levels.

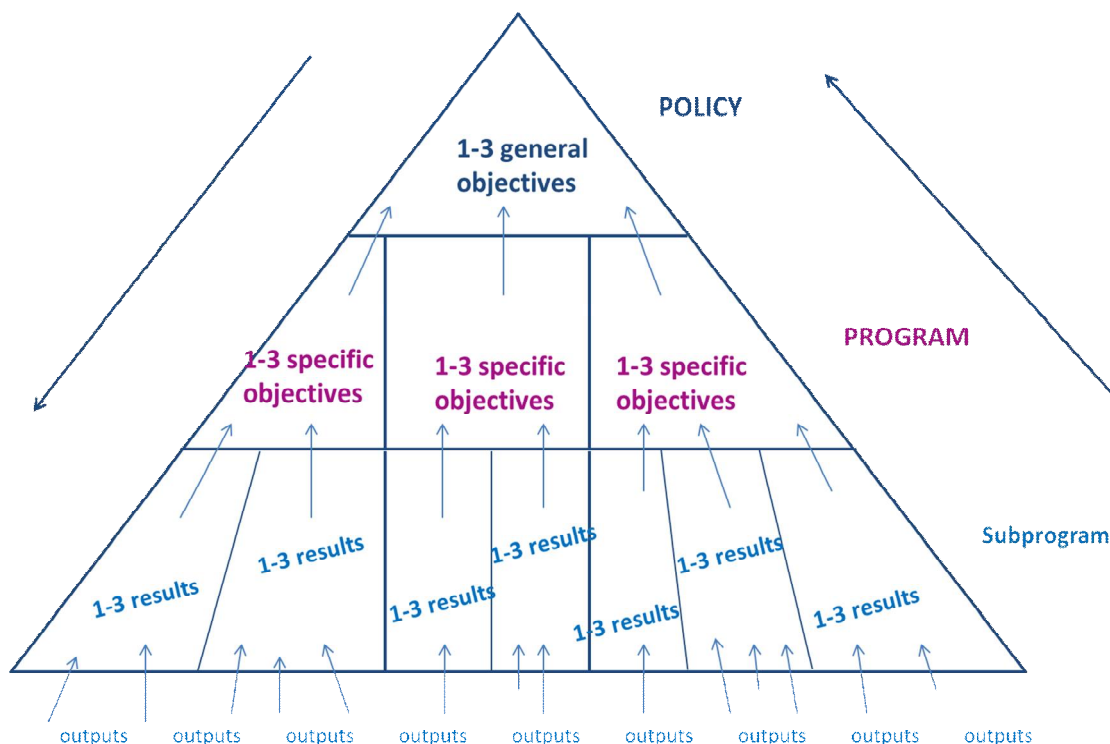
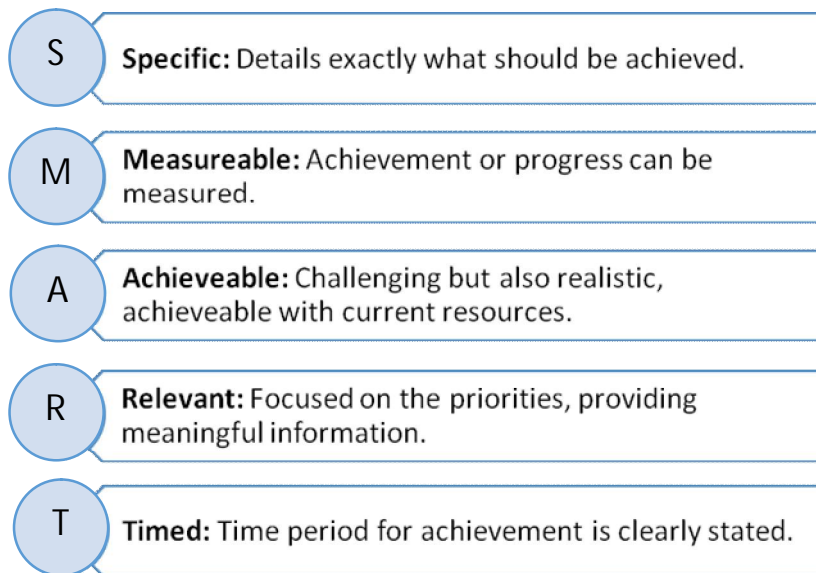


Figure 2: Objectives

3.2. Criteria for good objectives

A good objective is SMART, helps to set a target and provides the basis for the implementation and monitoring.



3.3. How to define objectives

In defining objectives certain steps should be followed. In theory this starts with the analysis of overarching strategies like for example the UN Sustainable Development Goals³ or EU 2020 goals⁴. Other relevant sources are the Government's program and already existing strategies (incl. the strategic plans). Also current challenges (e.g. ageing society, climate change, migration, gender equality) und possible problems arising from them in the future should be considered.

The next step is to define what we want to achieve and to formulate an objective. This should be done in a way that objectives are easy to understand also for non-policy experts and can be communicated with the public. This will lead to a more transparent budgeting. Furthermore it should be ensured, that the objectives can be controlled, especially the specific objectives of the programs and the results of the sub-programs. An objective also needs to be such that at least one indicator can be defined to measure it. If there is a lack of (quantitative) indicators, it might be necessary to redefine the objective to have it more concrete and measurable.

³<http://www.un.org/sustainabledevelopment/sustainable-development-goals/>

⁴http://ec.europa.eu/europe2020/targets/eu-targets/index_en.htm

It will be clearly stated, which budget user is responsible for the implementation and follow up of the objective of each level. In case there are more than one budget users that contribute to an objective, one budget user has a leading role and coordinates with the others.

In general the process is such that budget users propose (after consultation with other budget users involved) objectives and their indicators with previous realized values and target values to the Ministry of Finance. The objectives and indicators have to be agreed on and negotiated with the Ministry of Finance during the budgeting process. For further information on the process, see chapter 7.

The objectives of the policy areas and programs are formulated in a way that they are stable over years. No changes are applied to them from one year to another. At sub-program level changes may take place on justified occasions (e.g. if there is a major change of activities within the sub-program) but changes have to be negotiated with and approved by the Ministry of Finance.

4. Indicators

What is an “indicator”?

Objective requires at least one indicator to allow for measurement and follow up. An indicator describes in detail what we want to achieve during a certain point of time and translates the expected results into values.

Indicators provide the basis for the measurement and follow-up of SMART objectives. We make use of different types of indicators depending on the level of detail of an objective (hierarchy in the classification).

4.1. Hierarchy of indicators

- **Impact indicator (policy area)**⁵– indicators for long term consequences; these indicators should measure the impact of a set of measures. Target values are determined yearly / or e.g. for the period covered by the long-term strategies.
- **Outcome indicator (program level)**⁵ – indicators for medium-term to long-term consequences of specific governmental measures and projects, which are expressed as the wider socio-economic consequences at the level of the program or policy. In general the specific objectives of individual measures and projects are achieved with a time lag and, in addition, specific objectives are not affected by the measures only, but also by other factors. Therefore indicators need to be wider-oriented. Target values are determined yearly / or for e.g. the periods covered by strategies.
- **Aggregated output indicator / result indicator (sub-program level)** – indicator used when measuring aggregated direct and immediate consequences of the outputs (direct effects of measures and projects)⁶ supporting the realization of specific objectives. Indicators must be set according to this. Target values are determined yearly / or e.g. for the periods covered by strategies.

Note: Effects of single measures and projects can be measured by output (outcomes which are evident as soon as measures/projects are completed). These target values can be determined only yearly.

In practice we should not take the theoretical definitions too strictly. And we should try to use quantitative indicators. It is good to note that the follow up data is available for the quantitative

⁵ Both, the outcome and impact may not only be influenced by government’s budget but also by other factors.

⁶ Direct effects (outputs) are immediate (short-term) consequences of measures/projects of the state, for example, goods produced or services performed.

indicators typically within a couple of months to one year time lag. For example the preparation of composite indices of international organizations might take the whole year while national statistical data is published with little less time lag, and follow up data from the budget users itself can be quite quickly available.

It must be noted that it is better to focus into follow up of 1-2 very good indicators rather than to try to follow wide amount of different indicators – that is why also the amount of indicators is restricted in the new program budget reform.

Fictitious examples of types of indicators

Policy area: Transport

General objective: Sustainable mobility of goods and people

Impact indicators: Decrease of CO₂ emissions caused by traffic

Program: Road transport and infrastructure

Specific objective: Increased use of green transportation (sustainable mobility)

Outcome indicators: Decreasing number of passenger cars per 1000 inhabitants (or in %)

Sub-program: Reducing traffic of city centres

Results: Sustainable road transportation with decreased traffic and pollution in city centres

Aggregated output indicators: Number of new or modernized bypasses; decrease of pm 2.5 and pm 10 in city centres; increased number of passengers in road public transportation.

As shown in the example, the indicators should first of all reflect the content of the objective. They should also be consistent across the different levels of objectives.

As it is with the objectives, also the number of indicators is limited to focus on the relevant aspects. Limited number of indicators also restricts the amount of administrative work done both for target setting (planning) and for follow up (monitoring of progress). Each objective is measured by 1-3 indicators (see also next figure).

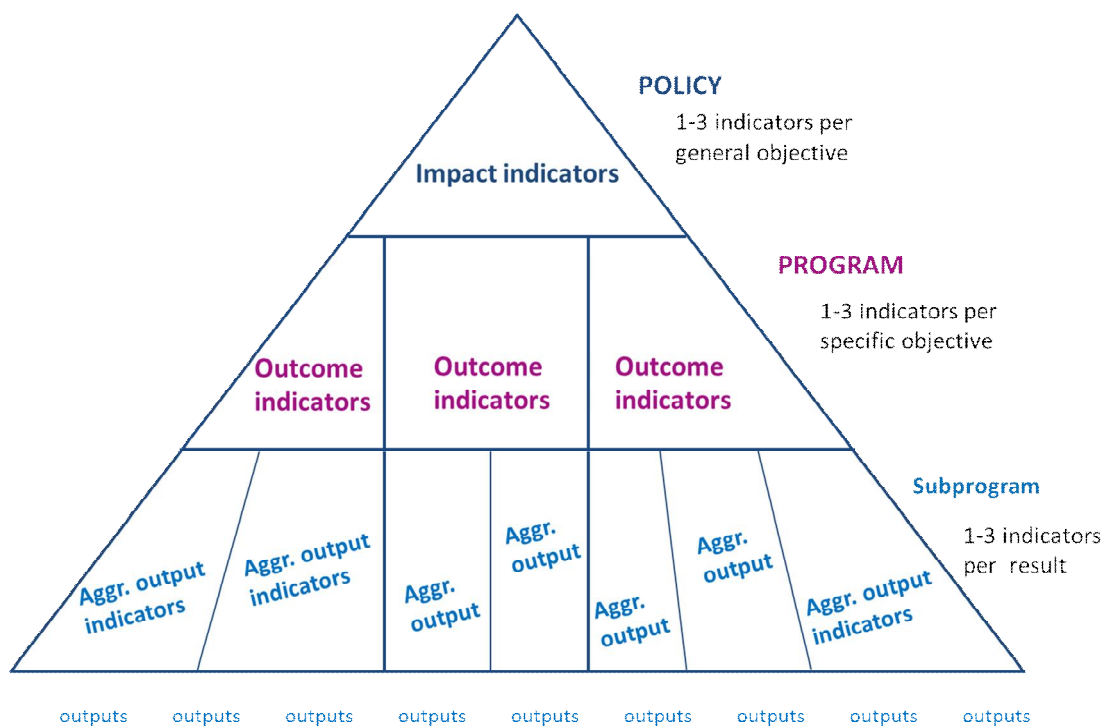


Figure 3: Indicators

4.2. Criteria for good indicators

Indicators are chosen based on the following criteria (also in line with OECD):

- The indicator should be connected to one or more objective.
- The indicators should be connected between themselves in the hierarchy – bottom up logic to be followed.
- The indicators should be in line with the existing strategies, particularly on the higher level (impact, outcome). While setting the indicators, it is also good to observe the international commitments (EU 2020 goals for example).
- The indicators should be measurable, easy to understand and transparent.
- The indicator data should be easily available (also for the past – the more the better). If there is no history data, the indicator should be first created and tested, and taken into use later in the future.
- The indicator data should be published at least once per year or with other set timetable.
- It would be good, if particularly the indicators on the higher level would be internationally comparable (e.g. use of rankings and benchmarks published by the OECD, Worldbank etc.).
- The “owner” of an objective should be able to control the objective and to have an influence on the development of the indicator. However for the high level objectives it will not work to have

100 % control. This must be also taken into account also later in the follow-up, reporting and evaluating.

- Input-indicators (“total amount of budget spent on a certain purpose”) shall not be used, except in some rare justified cases (e.g. in areas where there is a problem with staffing).

4.3. How to define indicators

Enough time should be spent on identifying relevant and meaningful indicators. When drafting an objective there should be some brainstorming of possible indicators. As the number of indicators is limited it is necessary to focus on 1-3 indicators that match best with the criteria described above. At the beginning each indicator must be defined in detail, including information about the method of calculation and the source of data.

An indicator always goes with a target. A target translates into numbers what we want to achieve at a certain point of time (e.g. end of the fiscal year, end of medium-term planning). Targets should be ambitious but also realistic.

When setting targets the results of the previous years (t-1 and t-2) will provide the basis for future projections. Here it should be pointed out that the aim of program budgeting is not to punish budget users in case of poor performance (e.g. by budget cuts). The idea is to learn from past performance and to gain information on how to do better in the future.

The table in the box below shows the data which will be required for each indicator. Some items, e.g. the method of calculation or the data source are background information which do not need to be presented and repeated every time when target-setting or follow up take place. Note: So that the indicator development and target setting is easier to follow without studying the method of calculation in detail, it is good that the unit of indicator is obvious already from the indicator title.

<i>Fictitious example of target-setting</i>						
Policy area: Transport						
<u>Policy area objective:</u> Increasing safety of transport						
Indicator	Number of fatalities in traffic					
Development of indicator	result 2015	result 2016	target 2017	target 2018	target 2019	target 2020
	x	x	x	x	x	x
Method of calculation	Total number of persons killed in traffic accidents					
Data source	Statistics on traffic safety, published by State Statistical Office					

In general the process is such that budget users make a proposal (after consultation with other budget users involved) on objectives and their indicators with target values. For further information on the process see chapter 7.

The indicators must remain stable over the years, and so no changes should take place at policy area and program level. At sub-program level changes might be required in exceptional cases (e.g. objective changes or new better data source has become available as indicator), but these changes have to be negotiated with and approved by the Ministry of Finance.

5. Administrative programs

It might be that one of the programs of policy area is needed for administration, monitoring and inspection activities, and/or technical support. These kind of “administrative programs” violate against the idea of result-oriented programs while they do not produce external outputs, but more internal services within the government institutions. However, these administrative programs are acceptable for pragmatic reasons. Within administration can be classified the “supporting services”⁷ for the main substance activities – administration does not exist for itself.

So whenever possible and applicable, the work of an institution or unit and for example their operating costs, cost for salary etc. should be put to the programs that produce services for external parties – not to administration. For example tourism department salary and their other operating costs within the Ministry of Economy should, if possible, be part of tourism program and not under administration. But if this is too complicated, especially in the first phase, the administration programs can be the “home base” for more general civil servant salary costs in some cases.

Typically the administration program is divided into administration sub-programs. The contents of the sub-programs vary from policy area to another, but some general idea can be presented: Typically one sub-program could be related to monitoring, supervision, issuing permits or/and auditing; another one could focus into EU funds; and third on general administration work of ministries such as preparation of laws, EU directive implementations, international cooperation etc.

5.1. Objectives for administration programs

For practical reasons it is suggested that administration programs have on program level one (or maximum two) objectives which target at efficient functioning of the policy area and at comprehensive and timely preparation of decision, information, legislation, strategic documents etc.

As a first step to define the objective for the administration program, it might be useful to see, what is the mission / vision of the ministry (and/or other institution) and to start from this. Sometimes it might be the case that no mission / vision is defined. Even more common is that the mission / vision is so broad and ambitious that it actually is more like a target of whole policy area, not administration program. In this case the second step would be to make some modification and define the objective for example as: the objective of the administration is to “provide efficient procedures and structures to support the main objective of the policy area” or “to work efficiently and effectively to support the policy area”.

For example, the mission of Ministry of Finance might be: “to maintain stable public finances and stable macroeconomic framework”. This case example could e.g. be re-written for administration program as

⁷ Internal support services such as HR management, IT support, financial department, legal department, etc. And also internal monitoring, inspection and control.

- “to provide high quality institutional background, procedures and efficiency to support stable public finances and macroeconomic stability” – so to highlight that administration must be efficient and provide good structure and framework (legislation basis, processes, monitoring etc.).
- OR “competent and efficient public finance administration”.

At sub-program level objectives of administrative sub-programs vary case-by-case but typically also they can be related to timely and transparent functioning of policy area administration: 1. improving quality and effectiveness of the services and measures produced (related to agencies) 2. creation, implementation and strengthening institutional capacity (and related to support functions within ministry, all work related to legislation incl. EU legislation transposing, training) 3. monitoring related to inspectorates, auditing etc. Within the administrative sub-programs the objectives can have focus into internal services (IT, HR-management, training etc.).

Fictitious examples of objectives of “administrative programs” and their sub-programs

Policy area	Programs	Objectives	Sub-programs	Results (objectives)
Agriculture and forestry	Administration	Effective implementation and monitoring of agricultural policies	Coordination of agricultural policies	Comprehensive and timely preparation of legislation and strategic documents
			Harmonizing national legislation with EU standards	Comprehensive and timely preparation of EU directives and documentation
			Monitoring and inspections	Effective implementation of the monitoring procedures in the field of agriculture
	Agriculture and rural development	
Forestry and Hunting		
Food safety and veterinary care		

5.2. Indicators for administration programs

At program level possible indicator for administration might be:

- Number of prepared assessment reports for the process of accession of MK in EU
- Number of inspections or monitoring
- Share of labour cost of x policy area administration (should decline, needed to calculate the initial figure)

- Efficiency of measures taken by inspections (in MKD or % savings)

At subprogram level indicators might be more detailed:

- Labour cost of agency (in MKD), no. of new directives, no. of implemented obligations, no. of evaluations, no. of memberships in international organizations, no. of issued permits, no. of trainings, no. of IPA projects, no. of prepared (or if possible adopted) laws, no. of implemented EU directives, IT support (in MKD), better successfulness of web application, no. of action plans, no. of inspections, no. of laboratory analyzes, no. of supervisions



6. Strategic and medium-term planning

Program budgeting is not only an issue of budget preparation, approval, execution and follow up. It will also be linked to medium term budgeting (medium term expenditure framework MTEF) and to strategic planning. Linkages between program budget planning, strategic planning and medium-term budget planning should be clear.

Medium-term linkage

At the first phase of the reform medium-term expenditure framework (MTEF) is planned to be binding only for the total level of expenditure. This binding ceiling is also allocated by budget users in spring Fiscal Strategy for the budget preparation.

After the new program budget system and structure is fully in implementation, ceilings will also be presented in the Fiscal Strategy also by policy areas for the whole 3 years. In budget the medium term linkage of program budgeting is also highlighted, and there will be presentation of medium term financing of policy areas, programs and subprograms.

It is crucial that the same classification is used in MTEF, budget and final accounts.

Strategic planning linkage

Linkage between program budget planning and strategic planning has to be clear. The same program classification, objectives and indicators must be used both in budget planning and in strategic planning – and the budget and strategic planning must be done together with close cooperation. Currently there are strategic plans for all 96 budget users, and not all of these plans are in line with the budget and budget programs.

In the future the sub-programs, programs and policy areas must be the same in strategic planning and budget planning. Also the objectives and indicators must be the same. At some phase of the reform, performance-oriented strategic plans would also be drafted to support the medium term planning of the whole policy area – and the ministry responsible for that policy area concerned would be in charge for the preparation.

However, the issue concerning above mentioned linkage between program budgeting and strategic planning is not discussed in detail in this manual. The Ministry of Finance and the Government Unit for Strategic Planning will give more detailed instructions for this matter.

7. Target setting and follow-up of objectives and indicators

The aim of the target setting, follow-up and reporting is to establish a learning culture at political level and in administration. Results of the follow-up and reporting should be used for future planning.

The target setting, follow-up and reporting is done at all 3 levels of the program budget structure. This means that it comprises finances, objectives and indicators of the policy areas, programs and sub-programs. In the end there should be e.g. time series available for each indicator in order to track progress but also to identify areas for improvement.

In the following the process of target setting and follow-up of objectives and indicators is described in connection with the budget calendar (see also Annex 1: Flow chart).

In practice, the idea is that in the future e-budget will include a module for recording performance data of the programs.

Medium term expenditure framework MTEF

The budget users should propose the objectives and indicators with target values for the policy areas, programs and sub-programs already in spring in connection to the Fiscal Strategy process for medium term budget. At this time data will be collected and used internally between the Ministry of Finance, the line ministries of the policy areas, the budget users and the Government, but not reported in the Fiscal Strategy. The main input will come from the budget users, as they propose objectives and indicators of programs and subprograms to the line ministry in charge of the policy area. The line ministry reviews all the data of the programs and sub-programs of the policy area. When this quality control is finished the objectives and indicators are then forwarded to the Ministry of Finance and possible changes to objectives and indicators are discussed. It should be noted that the target values for indicators should not be changed every spring – only in justified cases. Especially at the policy area level it is not reasonable to assume fast and dramatic changes. However, at program and sub-program level changes might take place e.g. when some major one-off measures come to an end. The targets should be stable for the medium term and reaching the target level does not take place just within one year.

Budget

Later on during Budget preparation, some corrections may be proposed, e.g. in case there is change of activities or change of financing, the target values might need to be updated. It might be that e.g. changes of the supplementary budget cause a need to change some target levels during the Budget preparation. However, this should be done only in very justified cases. Also if previous years' data is not available in early spring (which could be the case for most of the outcome indicators), these can be added later when the final accounts is prepared.

The Budget contains data of financing all the programs and also time series for the indicators. The information concerning the achievement of previous years' targets is also important in order to make comparisons and to assess the level of ambition of objectives.

Final Accounts

The publication of performance reporting will take place in connection to the Final Accounts as the new program budget classification will be also applied to the financial reporting. The standardized structure for presenting budget programs, objectives and indicators in the budget is also applied to the Final Accounts to make readers find their ways easily through the document.

In Final Accounts it is analysed, how the policy areas and program succeeded during the fiscal year, where the indicator target values met, how was the realization compared to budgeted. The performance reporting in the Final Accounts will focus on the objectives of the policy areas and programs. The government document sent to Parliament is prepared by the Ministry of Finance based on the data from the Treasury Department and based on the performance data recorded in the e-budget system by budget users and reviewed by the line ministries responsible for the policy areas.

Data submission

Target values and the achievement of previous years' targets are recorded on an annual basis for each indicator. The idea is that budget users fill in all the needed data and explanations electronically in a way that it is compatible with the e-budget system. It is the budget users' responsibility to ensure that the data submitted via e-budget is complete and reported correctly. The objectives and indicators of programs and sub-programs will be reviewed by the line ministry responsible for the policy area. The Ministry of Finance will do cross-checks of the data provided during the budget processes.

The table in the box below shows the data which will be required for each indicator. It should be pointed out here, that basically budget users will have to fill in the data only once during the budget processes (and later just make correction and additions to that data, if needed).

<i>Fictitious example of target-setting and follow-up of objectives and indicators</i>						
Policy area: Transport						
<u>Policy area objective:</u> Increasing safety of transport						
Indicator	Number of fatalities in traffic					
Development of indicator	result 2015	result 2016	target 2017	target 2018	target 2019	target 2020
	x	x	x	x	x	x
	<i>Short statement of the budget user in case the target has not been reached or when the deviation from the target exceeds a certain threshold.</i>					
Method of calculation	Total number of persons killed in traffic accidents					
Data source	Statistics on traffic safety, published by State Statistical Office					

Regarding the indicators the main focus will be on the values and the time series. It is intended that the budget users in charge also give a short statement for example in case a target has not been reached or when the deviation from the target exceeds a certain threshold. Budget users should also point out if there are any corrective actions they are planning to implement.

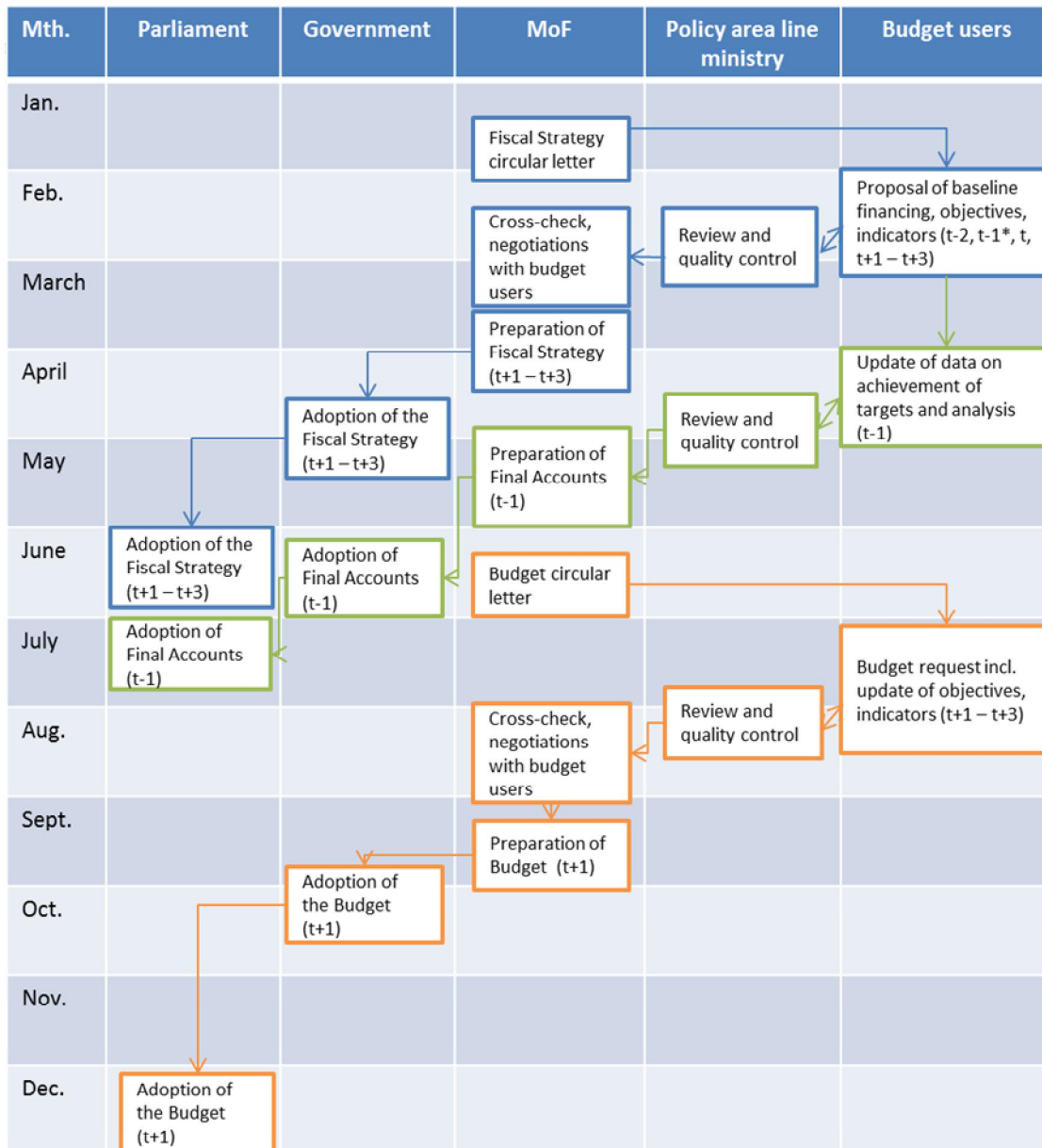
Later during / after the implementation of the program budget reform it could be discussed more in detail, what level of deviation can be tolerated in order to say that the target has been met. Or should maybe some “traffic light” indication be taken into use in this analysis?

Responsibilities

The following table summarizes who is responsible for what in the process of target-setting and follow-up.

	Strategic planning and Fiscal Strategy	Budget	Final Accounts
Policy area	line ministry responsible for the policy area	line ministry responsible for the policy area	line ministry responsible for the policy area
Program	<u>proposal</u> : budget users	<u>proposal</u> : budget users	<u>proposal</u> : budget users
	<u>review and quality control</u> : line ministry responsible for the policy area	<u>review and quality control</u> : line ministry responsible for the policy area	<u>review and quality control</u> : line ministry responsible for the policy area
Sub-program	<u>proposal</u> : budget users	Only shown in the annex	Only shown in the annex
	<u>review and quality control</u> : line ministry responsible for the policy area	<u>proposal</u> : budget users <u>review and quality control</u> : line ministry responsible for the policy area	<u>proposal</u> : budget users <u>review and quality control</u> : line ministry responsible

ANNEX 1: Flow chart to explain the target-setting and follow-up process in general



Fiscal Strategy
Budget
Final Accounts

t-1 = previous year; t = current year; t+1 = next year; t+1 – t+3 = next three years (medium-term)

* If t-1 data is available during Fiscal Strategy preparation

ANNEX 2: Table of program budget classification

This annex includes preliminary proposal for the policy areas, programs and sub-programs of the new program classification. It should be pointed out that this is just a draft prepared by the Twinning Project, so the titles and programs might change before the actual implementation. Most of the policy areas have been prepared in strong cooperation with the Ministry of Finance experts and/or with the budget user experts. However, despite of this fact, the list should be understood as preliminary proposal by the Twinning Project.

Program budget classification			
01.			Policy area: Institution of democratic political system, integration and civil society
01.	2.		<u>Program: Legislative and executive authorities, and constitutional and human rights</u>
01.	2.	1.	Sub-program: President
01.	2.	2.	Sub-program: Parliament
01.	2.	3.	Sub-program: Prime Minister and the Government
01.	2.	4.	Sub-program: Constitutional Court and Ombudsman
01.	3.		<u>Program: National, regional and local management</u>
01.	3.	1.	Sub-program: Election authority
01.	3.	2.	Sub-program: Public administration
01.	3.	3.	Sub-program: Regional and local development and cross-border cooperation
01.	3.		<u>Program: Credible, accessible, verified and efficient information on spending and monitoring</u>
01.	3.	1.	Sub-program: Inspection council
01.	3.	2.	Sub-program: Audit
01.	3.	3.	Sub-program: Information society, open access, data protection and verification
02.			Policy area: Internal and external safety
02.	1.		<u>Program: Administration⁸</u>
02.	1.	1.	Sub-program: Internal safety administration
02.	1.	2.	Sub-program: External safety administration

⁸ Code xx.1 is reserved for administrative programs. In case there is no administrative program, the space is left empty (see for example policy area 04 – Justice)

Program budget classification			
02.	1.	3.	Sub-program: General administration services
02.	2.		<u>Program: Internal safety</u>
02.	2.	1.	Sub-program: Public safety
02.	2.	2.	Sub-program Program: National safety
02.	3.		<u>Program: Defence and protection</u>
02.	3.	1.	Sub-program: Military defence
02.	3.	2.	Sub-program: Humanitarian operations
02.	3.	3.	Sub-program: Crisis management, rescue and fire protection
03	Foreign policy and internal cohesion		
03.	1.		<u>Program: Administration</u>
03.	2		<u>Program: Foreign policy</u>
03.	2.	1	Sub-program: Bilateral and multilateral cooperation
03.	2.	2	Sub-program: Diplomatic consular network and consular affairs
03.	2.	3	Sub-program: Emigration
03.	3.		<u>Program: Internal cohesion</u>
03.	3.	1.	Sub-program: Religious rights
03.	3.	2.	Sub-program: Ethnic cohesion
04.	Justice		
04.	2.		<u>Program: Quality and availability of court activities</u>
04.	2.	1.	Sub-program: Exercise of rights by constitution and by law
04.	2.	2.	Sub-program: Operation and efficiency of the judicial system
04.	3.		<u>Program: Execution of sanctions and probation</u>
04.	3.	1.	Sub-program: Execution of sanctions
04.	3.	2.	Sub-program Program: Probation
04.	4.		<u>Program: Competences of the public prosecution and the state attorney</u>

Program budget classification			
04.	4.	1.	Sub-program: Public prosecution
04.	4.	2.	Sub-program: State attorney
04.	5.		<u>Program: Institutional assurance of the rule of law and legal security</u>
04.	5.	1.	Sub-program: Judicial system
04.	5.	2.	Sub-program: Anticorruption policy and fight against organised crime
04.	5.	3.	Sub-program: Free legal aid
04.	5.	4.	Sub-program: Enforcement, mediations, expertise and assessment
04.	5.	5.	Sub-program: Administration capacity of justice sector
05.	Public Finances		
05.	1.		<u>Program: Public finance administration</u>
05.	1.	1.	Sub-program: Reform of public financial management
05.	1.	2.	Sub-program: Financial management and supervision
05.	1.	3.	Sub-program: Public procurement
05.	1.	4.	Sub-program: Financial police and money laundering
05.	1.	5.	Sub-program: Commodity and oil reserves
05.	2.		<u>Program: Macroeconomic and fiscal governance</u>
05.	2.	1.	Sub-program: Budget planning and execution
05.	2.	2.	Sub-program: Tax and customs management
05.	3.		<u>Program: Debt management</u>
05.	3.	1.	Sub-program: Prudent debt
06.	Economic development, competitiveness and entrepreneurship		
06.	1.		<u>Program: Competitiveness administration</u>
06.	1.	1.	Sub-program: Support and monitoring
06.	1.	2.	Sub-program: International trade and cooperation
06.	2.		<u>Program: Business environment</u>

Program budget classification			
06.	2.	1.	Sub-program: Business infrastructure
06.	2.	2.	Sub-program: Legal and regulatory competitiveness environment
06.	3.		<u>Program: Encouraging growth and development of companies</u>
06.	3.	1.	Sub-program: Promoting FDI and internationalisation
06.	3.	2.	Sub-program: Tourism
06.	3.	3.	Sub-program: Initiatives for development of companies
06.	3.	4.	Sub-program: Promoting innovation, R&D & technological development activities in companies
07.	Energy		
07.	2.		<u>Program: Supply of mineral resources</u>
07.	2.	1.	Sub-program: Geological surveys
07.	2.	2.	Sub-program: Use of resources
07.	3.		<u>Program: Competitiveness in the energy sector</u>
07.	3.	1.	Sub-program: Energy efficiency
07.	3.	2.	Sub-program: Renewable energy sources
08.	Environment and climate change		
08.	1.		<u>Program: Administration</u>
08.	1.	1.	Sub-program: Implementation and coordination of environmental policies
08.	1.	2.	Sub-program: Office of environment
08.	1.	3.	Sub-program: Monitoring and inspection
08.	2.		<u>Program: Sustainable management of natural resources</u>
08.	2.	1.	Sub-program: Water supply and hydro systems
08.	2.	2.	Sub-program: Wastewater management
08.	2.	3.	Sub-program: Air quality
08.	2.	4.	Sub-program: Waste management and quality of soil
08.	3.		<u>Program: Nature protection</u>

Program budget classification			
08.	3.	1.	Sub-program: Protected areas and nature management
08.	3.	2.	Sub-program: Biodiversity
08.	4.		<u>Program: Space</u>
08.	4.	1.	Sub-program: Spatial and urban planning
08.	4.	2.	Sub-program: Real estates
09.	Transport		
09.	1.		<u>Program: Administration</u>
09.	1.	1.	Sub-program: Coordination of transport policies
09.	1.	2.	Sub-program: Monitoring and inspection in the field of transport
09.	2.		<u>Program: Road transport and infrastructure</u>
09.	2.	1.	Sub-program: Effective network of highways
09.	2.	2.	Sub-program: Regional and local road network
09.	2.	3.	Sub-program: Reducing traffic of city centres
09.	2.	4.	Sub-program: Efficient intelligent transport systems
09.	3.		<u>Program: Railroad transport and infrastructure</u>
09.	3.	1.	Sub-program: Construction, reconstruction and modernization of railway network
09.	3.	2.	Sub-program: Public service railway transport
09.	4.		<u>Program: Air and waterway transport and infrastructure</u>
09.	4.	1.	Sub-program: Air transport and infrastructure
09.	4.	2.	Sub-program: Water transport and infrastructure
10.	Agriculture and forestry		
10.	1.		<u>Program: Administration</u>
10.	1.	1.	Sub-program: Coordination of agricultural policies
10.	1.	2.	Sub-program: Harmonizing national legislation with EU standards
10.	1.	3.	Sub-program: Monitoring and Inspections

Program budget classification		
10.	2.	<u>Program: Agriculture and rural development</u>
10.	2.	1. Sub-program: Stabilizing the agricultural market
10.	2.	2. Sub-program: Support of agriculture and rural development
10.	2.	3. Sub-program: Sustainable and competitive fisheries
10.	3.	<u>Program: Forestry and hunting</u>
10.	3.	1. Sub-program: Improving the quality and protection of forests and wild animals
10.	4.	<u>Program: Food safety and veterinary care</u>
10.	4.	1. Sub-program: Veterinary care
10.	4.	2. Sub-program: Food safety control and phytosanitary policy
11.	Social care and labour market policy	
11.	1.	<u>Program: Administration</u>
11.	1.	1. Sub-program: Administration, EU integration, capacity development, equal opportunities
11.	1.	2. Sub-program: Administration - Pension fund
11.	1.	3. Sub-program: Administrative support in the area of labour market (Employment Agency; Labour Inspectorate)
11.	2.	<u>Program: Social care, inclusion and equal opportunities</u>
11.	2.	1. Sub-program: Social benefits
11.	2.	2. Sub-program: Social services
11.	2.	3. Sub-program: Social inclusion programs and equal opportunities
11.	3.	<u>Program: Families, children and demography</u>
11.	3.	1. Sub-program: Family benefits
11.	3.	2. Sub-program: Child benefits and services
11.	3.	3. Sub-program: Decent life for the elderly
11.	4.	<u>Program: Pensions</u>
11.	4.	1. Sub-program: Pillar 1
11.	4.	2. Sub-program: Pillar 2

Program budget classification		
11.	5.	<u>Program: Labour market measures</u>
11.	5.	1. Sub-program: Active employment measures
11.	5.	2. Sub-program: Unemployment benefits
12.	Education, science and sports	
12.	1.	<u>Program: Administration</u>
12.	1.	1. Sub-program: Coordination of education policy and its legal framework
12.	1.	2. Sub-program: Monitoring and control
12.	2.	<u>Program: Education</u>
12.	2.	1. Sub-program: Primary education
12.	2.	2. Sub-program: Secondary education
12.	2.	3. Sub-program: Higher education
12.	2.	4. Sub-program: Lifelong learning and adult education
12.	3.	<u>Program: Science</u>
12.	3.	1. Sub-program: Science institutions
12.	3.	2. Sub-program: Primary science
12.	4.	<u>Program: Sports</u>
12.	4.	1. Sub-program: National sports
12.	4.	2. Sub-program: International sports
12.	4.	3. Sub-program: Sports for all
13.	Culture	
13.	1.	<u>Program: Administration</u>
13.	1.	1. Sub-program: Administration for protection of cultural heritage
13.	2.	<u>Program: Promotion of arts</u>
13.	2.	1. Sub-program: Art programmes
13.	2.	2. Sub-program: Audio-visual arts

Program budget classification			
13.	2.	3.	Sub-program: Libraries, publishing and literature
13.	3.		<u>Program: Promoting national identity and Macedonian culture abroad</u>
13.	3.	1.	Sub-program: Promotion and protection of cultural heritage
13.	3.	2.	Sub-program: Promotion of Macedonian culture abroad
14.	Health.		
14.	1.		<u>Program: Smooth functioning of health system</u>
14.	1.	1.	Sub-program: Administrative capacity of health sector
14.	1.	2.	Sub-program: Quality pharmaceuticals and medical equipment supply, quality control and accreditations and control
14.	1.	3.	Sub-program: Radiation safety
14.	2.		<u>Program: Quality and accessible healthcare</u>
14.	2.	1.	Sub-program: Modernization and improvement of the health sector
14.	2.	2.	Sub-program: Health information system
14.	2.	3.	Sub-program: Taking care of vulnerable groups
14.	3.		<u>Program: Promoting long and healthy life</u>
14.	3.	1.	Sub-program: Preventive care
14.	3.	2.	Sub-program: Public health
14.	3.	3.	Sub-program: Special health programmes
14.	4.		<u>Program: Efficient healthcare services</u>
14.	4.	1.	Sub-program: Primary healthcare services
14.	4.	2.	Sub-program: Secondary and tertiary healthcare services
14.	4.	3.	Sub-program: Sickness leave payments

ANNEX 3: Indicative list of budget users under different policy areas

This list below gives an overall picture of where the main part of the activities and budget of each budget user institution would belong to in the new program budget classification. It should be pointed out that this is a draft list prepared by the Twinning Project and it has not been discussed and agreed with all the 96 budget users, so there will most likely be changes before the actual implementation. It should be noted that one budget user can in some cases have activities under various policy areas and not just one. So the list is indicative and is here just to give general picture.

Budget users under policy areas	
Policy area: Institutions of democratic political system, freedom and civil society	
01001	President
02001	Parliament
02002	State Audit Office
02004	State Election Commission
02006	Directorate for Personal Data Protection
02008	Commission for Verification
02010	Council for Audit Promotion and Supervision
02011	Commission for Protection from Discrimination
02012	State Commission for Deciding the Administrative Procedure and Procedure of Employment in 2 nd Level
02013	IPA Audit Authority
02014	Commission for Second Degree Decisions on inspection supervision and misdemeanor procedure
03001	Constitutional Court
04001	Government
04002	General and Common Affairs of the Government
04003	Secretariat for Law
04014	Inspection Council

Budget users under policy areas	
04008	Agency for Administration
04013	Agency for Management with the Expropriated Properties
17001	Ministry of Information Society and Administration
17002	State Administrative Inspectorate
19101	Ministry of Local Self Government
19102	State Inspectorate for Local Self Government
19302	Commission for Protection of Right for Free Access to Public Information
22001	State Statistical Office
28001	Office for Regional Development
31101	Ombudsman
Policy area: Internal and external safety	
01002	Intelligence Agency
05001	Ministry of Defence
05002	Directorate for Classified Information
05003	Directorate for Protection and Rescue
05004	Center for Crisis Management
06001	Ministry of Interior
07003	Office for Management of Registers of Births, Marriages and Deaths
19201	Immigration Agency
Policy area: Foreign policy and internal cohesion	
04009	Secretariat for European Affairs
08001	Ministry of Foreign Affairs
04010	SIOFA (ohrid framework)
04012	Agency for Implementation of the Rights of Communities
20001	Commission on Relations with Religious Communities and Groups

Budget users under policy areas	
Policy area: Justice	
02003	State Commission for Prevention of Corruption
04006	State Attorney
07001	Ministry of Justice
07002	Directorate for Execution of Sanctions (prisons)
07004	Bureau for Presentation at European Court of Human Rights
25001	Forensic Expertise Office
29010	Judicial authorities
31010	Public prosecutor
Policy area: Public Finances	
02007	State Appeals Commission
09001	Ministry of Finance
09002	Ministry of Finance – State Functions
09003	Customs Administration
09004	Agency for Commodity Reserves
09005	Public Revenue Office
09006	Financial Police
09007	Directory for Mandatory Stocks of Oil and Oil Derivates
09008	State Foreign Exchange Inspectorate
09009	Public Procurement Council
Policy area: Economic development, competitiveness and entrepreneurship	
02005	Commission for Protection of Competition
10001	Ministry of Economy
10002	Agency for Foreign Investments and Promotion of Export
10003	Agency for Promotion and Support of Tourism

Budget users under policy areas	
10004	Directorate for Technological Industrial Development Zones
10005	State Market Inspectorate
10006	State Inspectorate for Technical Inspection
11002	State Office for Protection of Industrial Property
Policy area: Energy	
10001	Ministry of Economy [Department for the energy sector; Agency for energy]
Policy area: Environment and climate change	
02009	Regulatory Commission for Housing
12101	Ministry of Environment and Physical Planning
12102	State Inspectorate for Environment
14003	Hydrometeorology
13005	State Inspectorate for Construction and Urban Planning
21001	Agency for Real Estate
Policy area: Transport	
13001	Ministry of Transport and Communication
13004	State Inspectorate for Transport
13006	State Communal Inspectorate
Policy area: Agriculture and forestry	
14001	Ministry of Agriculture, Forestry and Watersupply
14002	Agency for Promotion of Agricultural Development – Bitola
14004	Agency of Financial Support of Agricultural and Rural Development
14005	Food and Veterinary Agency
14006	State Agricultural Inspectorate
14007	State Forestry and Hunting Inspectorate

Budget users under policy areas	
Policy area: Social care and labour market policy	
15001	Ministry of Labour and Social Policy
15002	State Labour Inspectorate
66003	Employment Agency
66004	Pension and Disability Insurance Fund
Policy area: Education, science and sports	
16001	Ministry of Education and Science
16002	Office for Development of Education
16003	National Agency for European Education Programs and Mobility
16004	State Education Inspectorate
16101	Agency for Youth and Sport
Policy area: Culture	
24001	State Archive
18001	Ministry of Culture
18010	Funding of Culture Activities
26001	Academy of Sciences and Arts
Policy area: Health	
19001	Ministry of Health
19002	State Sanitary and Health Inspectorate
66002	Health Fund

ANNEX 4: Contents of new Budget

At the moment the content of the new Budget is drafted and discussed internally within the Ministry of Finance. It has not been decided with 100% yet, which levels of the program classification are presented in the core documents of the Budget, Fiscal Strategy and Final Accounts and which are reported in the annexes or published only electronically on the website of the Ministry of Finance.

Most likely the objectives and indicators of sub-programs as well as projects and activities (“fourth level”) will not be presented in detail in the Budget or in the Final Accounts but information could be provided in supplementary documents.

Table of contents after reform:

1. General outlook (text part)
 - o Same idea as currently, but some improvements should be made (e.g. more informative tables including the same tables that are published in Fiscal Strategy; comparison to Fiscal Strategy – what changes have taken place; see act 2.1 report)
2. Description of policy areas and programs – *totally new chapter, see more in detail below*
3. Medium term expenditure by budget users (org. classification); table for t-1; t; t+1; t+2; t+3
 - o This basically means updated version of almost the same table that would be in the Fiscal Strategy as annex “Expenditure limits by budget users”
 - o This would add medium term perspective to annual budget
 - o This table would be accompanied by explanatory part describing the changes compared to Fiscal Strategy
4. Summary tables of the budget
 - o Add t-1 from final accounts
5. Detailed budget tables by budget user
 - o Same ideas as currently to show the budget by organizational and economic and revenue source classification but instead of current government/development/budget programs there would be new programs and subprograms
 - o Add t-1 from final accounts
6. Law on execution of the budget

As an Annex or as an separate publication published at MoF website

- The introduction and objectives and indicators for subprograms; “fourth level” so projects and activities under subprograms
- Sources and calculation methods for all the indicators of objectives

(So basically these would be deleted compared to the current Budget:

- Explanations of government programs
- Explanations of goals of budget users
- Development budget)

2. Description of policy areas and programs

Example with fictitious policy area of agriculture and forestry

10 AGRICULTURE AND FORESTRY

[Explanatory note: short description of the content of the policy area]

Policy of Agriculture refers to measures in agriculture, forestry and hunting, rural development, food safety and veterinary care taken in order to support the development of livestock primary agricultural production; processing and marketing of agricultural products of animal and vegetable origin and to provide protection for plant health.

[Explanatory note: list of objectives and indicators of the policy area; including target values for the next year (t+1) and future years (t+2, t+3), the current year (t) and information about the achievement of targets in the previous year (t-1)]

Policy area objectives and indicators	t-1	t	t+1	t+2	t+3
Objective: Increase the competitiveness of agriculture, providing a stable level of income of the agricultural economy and sustainable development of rural areas					
Indicator 1: % of agricultural production in GDP					
Indicator 2: Surface hectare organic production					
Indicator 3: Index of livestock density (units per hectare)					

Financing

[Explanatory note: information on the financing of programs and sub-programs of the policy area; planned budget for the next year (t+1) and the remaining years of the medium term in indicative terms (t+2, t+3), budget of the current year (t) and information on the budget outturn in the previous year (t-1)]

Million denars or 1000 denars

Appropriations	t-1	t	t+1	t+2*	t+3*
Agriculture (total)					
Program 10.01: Administration					
Subprogram 10.01.01: Coordination of agricultural policies					
Subprogram 10.01.02: Harmonization of national legislation with EU standards					
Subprogram 10.01.03: Monitoring and inspection					

Appropriations	t-1	t	t+1	t+2*	t+3*
Program 10.02: Agriculture and rural development					
Subprogram 10.02.01: Stabilizing the agricultural market					
Subprogram 10.02.02: Support to agriculture and rural development					
Subprogram 10.02.03: Fisheries and aquaculture					
Program 10.03: Forestry and hunting					
Subprogram 10.03.01: Improving the quality and protection of forests and wild animals					
Program 10.04: Food safety and veterinary care					
Subprogram 10.04.01.: Veterinary care					
Subprogram 10.04.02: Food safety control and phytosanitary policy					

**In t+2 and t+3 is presented only indicative plans*

Programs

Program 10.01: Administration

[Explanatory note: short description of the content of the program]

This program refers to measures which aim at comprehensive and timely preparation of EU directives and documentation and effective implementation of monitoring procedures in the field of agriculture.

[Explanatory note: list of objectives and indicators of the program; including target values for the next year (t+1) and future years (t+2, t+3), the current year (t) and information about the achievement of targets in the previous year (t-1)]

Program objectives and indicators	t-1	t	t+1	t+2	t+3
Objective: Effective implementation of monitoring of agricultural policies					
Indicator 1: Number of adopted laws and directives					

Priority areas of financing

[Explanatory note: short description of key spending areas of the program, e.g. infrastructure projects, important subsidies, bigger procurement activities, new government initiatives and reforms; include information on total costs and the amount paid out of next year's budget]

In the next year it is planned to adopt the law on xx, the core elements of the new law will be xx. Also a reform of the law on xx will be drafted aiming at to improve xx.

Program 10.02: Agriculture and rural development

This program refers to measures to improve living standards of farmers, increase the share of organic farming, improve agricultural productivity and ensure sustainable and competitive fisheries.

Program objectives and indicators	t-1	t	t+1	t+2	t+3
Objective 1: Improve the quality of life in rural areas					
Indicator 1: Number of employees in the agricultural sector					
Objective 2: Increasing the value of agricultural production					
Indicator 1: Agricultural investment in% of GDP					
Objective 3: Improving standards in fisheries					
Indicator 1: Share of fishing in% of GDP					

Priority areas of financing

Aim of financing the project for irrigation of southern Vardar valley (total costs xxx denars) is to improve the living conditions of the agricultural population of South Vardar Valley through sustainable use and management of natural resources. Specific objective of the program is increased productivity and sustainable development of agricultural production in this region. The first phase of the project (xxx denars) ended in 2011.

The second phase of this project which will amount to xxx denars will be financed in next years with a loan from KfW and will include rehabilitation and modernization of systems irrigation, and expansion of existing and new irrigation systems such as: 1.Miravci 2. Negorci/Prdejci 3.Gevgelija, 4.Grchishte, 5.Paljurci, 6.Kovanci and 7.Valandovo. In the budget for next year xxx denars are planned for the project.

Program 10.03: Forestry and hunting

This program refers to measures to protect public and private forests and reduced damage caused by unprotected wild animals.

Program objectives and indicators	t-1	t	t+1	t+2	t+3
Objective 1: Ensuring sustainable development of forestry and hunting					
Indicator 1: Forested land as% of total land					

Indicator 2: Amount of income from logging and trade in timber and total logging					
Indicator 3: Planting trees on barren land, land erosion					

Priority areas of financing

According to the program for expanded reproduction of forests (total costs xxx denars) it is planned for next year to invest xxx denars to perform reforest of xx hectares.

Program 10.04: Food safety and veterinary care

This program refers to measures to ensure conditions for breeding, trade and safe consumption and to provide conditions for trade of animals, plants and feed.

Program objectives and indicators	t-1	t	t+1	t+2	t+3
Objective 1: Protecting the health of humans, animals, plant protection and nature					
Indicator 1: Number of licenses for the use of health certificates for food					
Indicator 2: The number of registered producers of food types					
Indicator 3: Number of producers of plants and plant products					

Priority areas of financing

In the next year activities will be undertaken to strengthen and establish a functioning system for safety and quality of food, promotion of functional control system security, food of animal origin. It will also implement control inspection, monitoring and supervision across the entire food chain in order to ensure that the food complies with the highest standards for safety and food hygiene, and to ensure that food is compliance with legal requirements.