



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

### *Preparing a coherent program budget structure for the state budget*

During the summer period, the new program budget classification (policy areas, programs, sub-programs) for the state budget was finalized.

During June and July, Ms. Katja Lautar and Ms. Jana Poljak from Slovenia worked on finalizing several last policy areas, such as e.g. Institution of Democratic Political System, Integration Freedom and Civil Society; Economy, Competitiveness and Entrepreneurship; Education, Science and Sports; Foreign Affairs and Internal Cohesion. Consultation meetings were held with various budget users. During these meetings policy areas were discussed, and feedback from budget users was received.

End of August, Ms. Lautar was back in Skopje to check and evaluate all the policy areas one more time in order to secure coherence and to harmonize some areas (special focus into democratic political system, integration freedom and civil society; justice; health; and economy, competitiveness and entrepreneurship). Harmonization and summary work for the new classification has been done with the help of excel-template created and filled in during the summer period. This excel-file collects also all the performance data (draft objectives and indicators) for the new program budget structure.

### *Manual for program budgeting reform*

At the end of June, Ms. Monika Gepl from Austria continued the work on the Manual for program budgeting. Documents and Manual Annexes were drafted and updated according to the comments received from of the Budget and Funds Department and project’s Resident Twinning Adviser. Indicative list of policy areas, programs and subprograms was produced as Annex 2 to the Manual and indicative list of budget users under each policy area was produced as Annex 3 to the Manual. The draft idea for the new Budget Book contents was updated. In addition, performance data collection template (excel file with multiple levels and layers) and bridge table excel-template from old sub-programs to new sub-programs was prepared for the Budget and Funds Department (BFD).



*Working on Manual for program budgeting,  
Ms. Monika Gepl , Austria*

In August, Ms. Katja Lautar gave last comments for the Manual for program budgeting before it was translated, published and printed early September. The Manual is available for downloading from the Ministry of Finance web-site.



### Support to spending reporting

In July, Mr. Jörg Steiner and Mr. Philipp Otto from Austria worked on making analysis of the current typical spending / budget execution monitoring reports produced by Treasury from the Treasury IT systems, and used by Treasury, other Ministry of Finance departments or public. They also worked on finding ways to make the creation of spending and budget reports more efficient by reducing the amount of manual work in reporting. Within their visit, general training on VBA (excel macros) was implemented.

Mr. Olli Ahonen from Finland continued the work with spending reports in August. His work focused on developing ideas for spending and performance reporting in order to evaluate and monitor the efficiency of public spending (e.g. through policy areas/programs/sub-programs). This included also analysis of the program budget reform and of the performance data collection in this new program budget framework. Part of the work concentrated into internal reporting, but mainly the work focused into reporting published for general public at the website and in various budget documentations in order to improve the audit trail and to increase the transparency of public spending.

Document “Spending reports as a tool for efficiency management” was finalized. This includes project experts’ analysis of the current situation and typical spending / budget execution reports produced. It also gives multiple ideas for future development (incl. example tables and reports for budget data and spending / monitoring reporting) – main focus in this document is to provide ideas which could be implemented in the medium term connected to other reforms (medium term budget reform, program budget reform).

### New Budget Law

At the end of June, Mr. Jouko Narikka from Finland worked drafting new Budget Law. During his visit discussions took place with the Ministry of Finance experts and some proposals for articles, which were previously seen problematic in the project, were estimated and developed further. Different options to formulate the articles and to implement the amendments were estimated. A lot of focus was put into including articles concerning Fiscal Council into the draft Budget Law – many elements follow the Slovenian Fiscal Council legislations. The meetings held with the experts of the Ministry of Finance were very important to get more background information concerning the actual budget issues and practices in Macedonia and to make sure that the proposals formulated by Mr. Narikka were reasonable and well-grounded.

The work with the Budget Law continued further during the summer period when the draft was sent to all relevant Departments within the Ministry of Finance for comments. During her mission at the end of August Ms. Katja Lautar also had the chance to review the new Budget Law and give comments based on Slovenian experience.

Next step is to send the draft Budget Law for the Cabinet of the Minister for comments before the finalization of the work.



*Mr. Jouko Narikka, drafting a new Budget Law*



## IT improvements

In June, Mr. Lauri Repo and Mr. Juha Ilanmaa from Finland continued work for upgrading salary/personnel IT-system of the Budget and Funds Department (BFD). This Access application is used for the control of salaries and the main goal was to update the system in a way that it would be more efficient to use and provide data to budget projections.



*Working on upgrading salary / personnel IT system of the Budget and Funds Department*

During their visit the Access application was further improved to increase its stability and to meet the new needs for data contents. In addition to this, the experts developed instructions for BFD about the new features.

Some changes for the monthly data (F1 template) were made into Access application e.g. for better harmonization with new legislation and MISA job-titles. Furthermore, for faster estimations and projections and to ease the monitoring of the budget, experts built a new annual Access that gathers every month salaries from monthly salary Access applications and produces new reports and some estimation straight from the data it contains. The use of individual level monthly correction data was also tested. However, to get the new annual Access into use, the BFD must start to gather the monthly correction data from the budget users at the individual level with the F1 form. And in order to get the new changes of F1 (incl. MISA job codes) into use, the BFD must implement the new F1 form into full use. A preliminary pilot budget user meeting to discuss e.g. these topics took place 05 June, but more cooperation is needed. The experts recommend that the new Access application would be taken immediately into use and the new F1 format would be taken into use in October.



*Working on upgrading salary / personnel IT system of the Budget and Funds Department*

In addition, the experts also developed more long-term recommendations for the development and better harmonization of HRM data and database IT-solutions within the country.

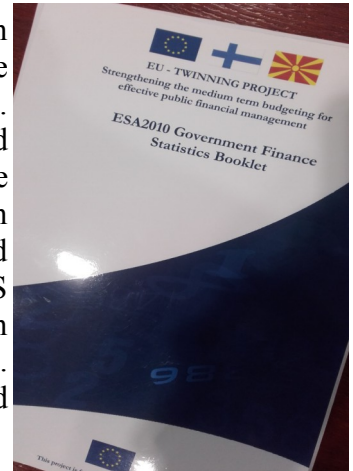
During the summer period a lot of work was also put into defining the needs for multi-year commitment and liability data. After concluding the requirements for commitment and unpaid commitment data, a service provider was selected. This company will work on developing new E-budget compatible module for BFD for recording multi-year commitments / liabilities of the budget users and other general government institutions.

In addition, Mr. Gamillscheg had a mission in August to draft ideas for the technical specifications for new integrated IT software / “future e-budget” software in the field of medium term budget planning, new program budget planning and new templates. Main focus was in the program budgeting area of development. The idea is that some day when the new budget reforms take place and new IT software will be developed, these ideas for the technical specification will be very useful background material for the Ministry of Finance BFD.



## ESA 2010

In July, Ms. Anniina Autero and Ms. Niina Suutarinen from Finland worked on developing “ESA2010 Government Finance Statistics Booklet” in English. The booklet includes key issues from all the previous trainings in ESA2010 GFS. Target group of the booklet are persons who participated in the trainings and activities organized by the project, and other civil servants working in these topics. The booklet will support the Ministry of Finance later in the future when ESA2010 public finance statistics are published by the statistical authority and when Ministry of Finance will start to report and forecast with ESA2010 GFS methodology. Also, the booklet includes samples of fiscal reports prepared in accordance with EU standards and requirements in the area of public finance. The booklet was printed and delivered to training participants, and also published at the Ministry of Finance web-site.

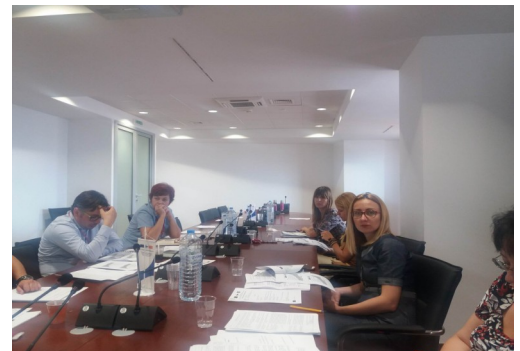


*ESA booklet*

During the July visit, two training workshops were organized for participants from Ministry of Finance (Budget and Funds Department, Treasury Department, Public Debt Management Department, Macroeconomic Policy Department); State Statistical Office and National Bank. The first training was organized on 12 July 2017 (for 10 participants). The training gave introduction to EDP-related questionnaires – what are these and why they exist and Government guarantees. The second training was organized on 13 July 2017 (for 9 participants) and covered the topics public-private partnerships and contingent liabilities reporting (Directive 2011/85/EU).

## Steering committee work

Steering Committee work continued as planned. On 15 June 2017, 6<sup>th</sup> Steering Committee meeting was held. Steering Committee members had the chance to discuss the project activities implemented during the spring period and the activities planned for the next 6 months of project implementation. Steering Committee concluded that there is a good day-to-day cooperation, activities are implemented in accordance to the work plan and progress took place in all the areas of the project.



*6th Steering Committee meeting*



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.