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"Official Gazette of the Republic of North Macedonia" No 277/2024

MINISTRY OF FINANCE

Based on Article 15 paragraph (4) of the Budget Law ("Official Gazette of the Republic of North Macedonia" No. 203/22, 76/24 and 272/24), the Minister of Finance has adopted

GUIDELINES ON THE METHOD OF PREPARING MACROECONOMIC AND FISCAL PROJECTIONS AND THE COORDINATION PROCESS BETWEEN ORGANIZATIONAL UNITS AND INSTITUTIONS RELATED TO MACROECONOMIC AND FISCAL PROJECTIONS

Article 1

This guideline prescribes the method of preparing macroeconomic and fiscal projections and the coordination process between organizational units and institutions related to macroeconomic and fiscal projection.

Article 2

The macroeconomic and fiscal projections are contained in the Fiscal Strategy for the current and the next five fiscal years, prepared in accordance with Articles 16, 17, 18 and 19 of the Budget Law.

Article 3

(1) In accordance with the Plan with deadlines for the preparation of the Fiscal Strategy for the relevant fiscal year from Article 17 of the Budget Law, the Ministry of Finance - Budget and Funds Department (hereinafter: Budget and Funds Department) shall submit a circular letter for the purpose of obtaining data to the Departments within the Ministry of Finance, namely:

- Economic Policy and Development Department;
- Treasury Department;
- Public Revenues and Tax and Customs Policy Department;
- International Financial Relations Department;
- Public Debt Management Department;
- Public Investment Management Department;
- IPA Funds Management Department and
- other Departments within the Ministry of Finance.

(2) The Economic Policy and Development Department shall submit data on:

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- realized macroeconomic developments for the previous year and for the past months of the current year, as well as macroeconomic projections for the current year and the next five years, including at least the projections for real and nominal GDP, inflation, foreign trade and the labor market;
- comparison of the realization of the given macroeconomic parameters with those from the previous Budget and Fiscal Strategy, as well as a qualitative and quantitative explanation of the main deviations;
- comparison of the projections of the given parameters with the previous Fiscal Strategy, as well as a qualitative and quantitative explanation of the main changes, including changes in policies;
- comparison of the achieved and projected real GDP and inflation, with other relevant domestic and international institutions, as well as a brief explanation of the main differences, where possible;
- macro-fiscal risks, including fiscal risks related to potential liabilities and specific risks with a quantitative and qualitative explanation of the effects on key macroeconomic and fiscal parameters;
- explanation for compliance, i.e. deviation from fiscal rules and for possible deviations from the fiscal targets set in the previous fiscal strategy;
- analysis of long-term fiscal sustainability and
- other necessary information and data.

(3) The Treasury Department shall submit data on:

- realization of the revenues and expenditures of the State Budget for the previous year and for the past months of the current year;
- comparison of the realization of the above-mentioned parameters with the previous Budget and fiscal strategy, as well as a qualitative and quantitative explanation of the main deviations;
- description and status of the realization in accordance with Article 2, item 24 of the Budget Law, in relation to the general government entities classified in the Sector State (S.13) in accordance with the National Classification of Institutional Sectors of the State Statistical Office;
- realization for the previous year and for the past months of the current year, as well as a projection for the current year and for the next five years of the budget balance (total and primary) of the State Budget and the budgets of the municipalities, and
- other necessary information and data.

(4) The Public Revenue and Tax and Customs Policy Department, in coordination with the Ministry of Finance-Customs Administration and the Ministry of Finance-Public Revenue Administration, shall submit data on:

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- realization of revenues for the previous year and for the past months of the current year, as well as a projection of revenues for the current year and for the next five years, namely for the following revenues: tax revenues by type of taxes, customs duties, excise duties and other tax revenues, as well as a projection of tax expenditures;
- comparison of the realization of the parameters from line 1 of this paragraph with the previous Budget and Fiscal Strategy, as well as a qualitative and quantitative explanation of the main deviations;
- comparison of the projections of tax revenues by type of taxes, customs duties, excise duties and other tax revenues and tax expenditures with the previous fiscal strategy, as well as a qualitative and quantitative explanation of the main changes, including policy changes;
- description of each planned and already implemented reform with a qualitative and quantitative explanation for each individual type of revenue; and
- other necessary information and data.

(5) The International Financial Relations Department shall submit data on:

- review of concluded credit agreements with international financial institutions, bilateral creditors and foreign commercial banks;
- comparison of the implementation of concluded credit agreements with the implementation of the previous Budget and Fiscal Strategy, as well as a qualitative and quantitative explanation of the main deviations;
- comparison of the projections of concluded credit agreements with the previous Fiscal Strategy, as well as a qualitative and quantitative explanation of the main changes, including changes in policies;
- reports from international financial institutions and the European Union relating to public finances;
- guarantees issued for the previous two years, as well as for the following medium-term period, and
- other necessary information and data.

(6) The Public Debt Management Department shall submit data on:

- realization for the previous year and for the past months of the current year, as well as a projection for the current year and for the next five years of the following parameters of the State Budget and the budgets of the municipalities, respectively: revenues, expenditures, financing, balance of foreign currency deposits at the beginning of the fiscal year, guarantees and general government debt;
- overview of borrowing (inflow) from domestic and foreign loans, debt repayment (repayment of principal from loans and issued government securities - outflow);

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- issued and paid guarantees for the previous two years, as well as for the next medium-term period;
- comparison of the realization of the parameters from line 1 of this paragraph with the previous Budget and Fiscal Strategy, as well as a qualitative and quantitative explanation of the main deviations;
- comparison of the projections of the parameters from line 1 of this paragraph with the previous fiscal strategy, as well as a qualitative and quantitative explanation of the main changes, including changes in policies;
- summary of the general government debt management activities, including the planned structure of deficit financing, repayments and the balance of deposits;
- description and status of the implementation in accordance with Article 2, item 24 of the Budget Law, in relation to the general government entities classified in the Sector Government (S.13) in accordance with the National Classification of Institutional Sectors of the State Statistical Office;
- macro-fiscal risks from the aspect of guarantees and
- other necessary information and data.

(7) The Public Investment Management Department shall submit data on:

- public investment projects planned to start, continue or be completed in the current and the next five years;
- the total value, duration, planned expenditures and other outflows for the next five years for each specified public investment project, as well as the remaining financing until the completion of the project;
- realized expenditures and other outflows of public investment projects with an estimate for the current year and the previous two years;
- reviewed and evaluated new public investment projects and public-private partnerships that are proposed as new initiatives, in accordance with the Public Investment Management Regulation, for the purpose of preparing a summary list of proposed, reviewed and evaluated new initiatives;
- a summary list of proposed, reviewed and evaluated new initiatives and projects;
- a priority list of new public investment and public-private partnership projects reviewed by an inter-sectoral working group and/or committee approved by the Government of the Republic of North Macedonia, i.e. the Municipal Council, and
- other necessary information and data.

(8) The Sector for Management of Funds from the Instrument for Pre-Accession Assistance - IPA, in coordination with the Sector for Central Financing and Contracting, shall submit data on:

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- a description of the use of EU pre-accession assistance for the next five years;
- a comparison of the implementation of the parameters from line 1 of this paragraph with the previous Budget and Fiscal Strategy, as well as a qualitative and quantitative explanation of the main deviations;
- a comparison of the projections for the use of EU pre-accession assistance with the previous fiscal strategy, as well as a qualitative and quantitative explanation of the main changes, including changes in policies, and
- other necessary information and data.

Article 4

(1) In accordance with the Plan with deadlines for the preparation of the Fiscal Strategy for the respective fiscal year referred to in Article 17 of the Budget Law, the Sector for Budgets and Funds shall submit a circular letter for the purpose of obtaining data to the following institutions:

- Ministry of Finance - Customs Administration;
- Ministry of Finance - Public Revenue Office;
- Ministry of Energy, Mining and Mineral Resources;
- Ministry of Transport;
- Ministry of Environment and Spatial Planning;
- Ministry of Agriculture, Forestry and Water Management;
- State Statistical Office;
- Pension and Disability Insurance Fund of North Macedonia;
- Health Insurance Fund of the Republic of North Macedonia;
- Employment Agency of the Republic of North Macedonia and
- other relevant institutions as needed.

(2) The Ministry of Finance-Customs Administration and the Ministry of Finance-Public Revenue Administration, in coordination with the Ministry of Finance-Public Revenue and Tax and Customs Policy Sector, shall submit data on:

- realization of revenues for the previous year and for the past months of the current year, as well as a projection of revenues for the current year and for the next five years, namely for the following revenues: tax revenues by type of taxes, customs duties, excise duties and other tax revenues, as well as a projection of tax expenditures;
- a comparison of the realization of the parameters from line 1 of this paragraph with the previous Budget and Fiscal Strategy, as well as a qualitative and quantitative explanation of the main deviations;

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- a comparison of the projections of tax revenues by type of taxes, customs duties, excise duties and other tax revenues and tax expenditures with the previous fiscal strategy, as well as a qualitative and quantitative explanation of the main changes, including policy changes, and
- a description of each planned and already implemented reform with a qualitative and quantitative explanation for each individual type of revenue.

(3) The Ministry of Energy, Mining and Mineral Resources shall submit:

- a projection of revenues from concessions for the next five years, with a detailed explanation thereof, and
- data on realized revenues from concessions in the previous two years, with an explanation for any deviation from the projections.

(4) The Ministry of Transport shall submit:

- a projection of revenues from the sale of undeveloped agricultural land for the next five years, with a detailed explanation thereof, and
- data on realized revenues from the sale of undeveloped agricultural land in the previous two years, with an explanation for any deviation from the projections.

(5) The Ministry of Environment and Physical Planning shall submit:

- a projection of revenues from concessions for the next five years, with a detailed explanation thereof, and
- data on realized revenues from concessions in the previous two years, with an explanation for any deviation from the projections.

(6) The Ministry of Agriculture, Forestry and Water Management shall submit:

- a projection of revenues based on concessions for the next five years, with a detailed explanation thereof, and
- data on realized revenues based on concessions in the previous two years, with an explanation for any deviation from the projections.

(7) The State Statistical Office shall submit a description and status of the realization, in accordance with Article 2, item 24 of the Budget Law, in relation to the general government entities classified in Sector Government (S.13) in accordance with the National Classification of Institutional Sectors of the State Statistical Office.

(8) The Pension and Disability Insurance Fund of North Macedonia shall submit:

- projections of revenues and expenditures for the next five years, with a detailed explanation of the assumptions on the basis of which the projection of revenues and expenditures was made (pension adjustment percentage, inflation rate, employment growth percentage, salary growth percentage, etc.) and
- data on realized revenues and expenditures for the previous two years, with an explanation of any deviation from the projections.

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(9) The Health Insurance Fund of the Republic of North Macedonia shall submit:

- projections of revenues and expenditures for the next five years, with a detailed explanation of the assumptions on the basis of which the projection of revenues and expenditures was made (employment growth percentage, salary growth percentage, etc.) and
- data on realized revenues and expenditures for the previous two years, with an explanation of any deviation from the projections.

(10) The Employment Agency of the Republic of North Macedonia shall submit:

- projections of income and expenditure for the next five years, with a detailed explanation of the assumptions on the basis of which the projection of income and expenditure was made (percentage of employment growth, percentage of wage growth, etc.) and
- data on realized income and expenditure for the previous two years, with an explanation of any deviation from the projections.

Article 5

The Budget and Funds Department shall submit a circular letter for the purpose of obtaining data on financial and non-financial (material) assets of the state and municipalities to other sectors within the Ministry of Finance and other relevant institutions, as needed.

Article 6

(1) In order to accelerate the preparation of the Fiscal Strategy, the Budget and Funds Department shall simultaneously submit the circular letter for obtaining data electronically.

(2) In accordance with the Plan with deadlines for the preparation of the Fiscal Strategy for the respective fiscal year, the budget users of the State Budget shall prepare fiscal projections based on the existing legal and regulatory regulations and incurred liabilities (baseline scenario) and a proposal for new projects and new financial liabilities (new initiatives).

(3) The head of the budget user shall provide guidance for the preparation of baseline scenario projections and new initiatives for financing the budget users within his/her competence.

(4) In accordance with the Plan with deadlines for the preparation of the Fiscal Strategy for the respective fiscal year, the Sector for Budgets and Funds shall analyze the data received from the budget users.

(5) The Sector for Budgets and Funds shall prepare a baseline scenario and new initiatives as a basis for the preparation of a five-year Fiscal Strategy.

(6) The Sector for Budgets and Funds shall analyze the data received, including all aspects that may affect public revenues and expenditures (established policies, government conclusions, amendments to legal decisions, already initiated projects, the Work Program of the Government of the Republic of North Macedonia, etc.).

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(7) New initiatives include new projects, including public investment projects and public-private partnerships and new activities, proposed by budget users, including municipalities on their behalf, i.e. on behalf of public entities under their jurisdiction, which they prepare in accordance with the Regulation on Public Investment Management and submit to the Ministry of Finance for review and assessment.

(8) If budget users propose new regulations, acts or obligations that cause fiscal implications in the following budget years, when preparing the fiscal strategy and the budget, they should be included in new financing initiatives.

Article 7

(1) The proposed new projects and initiatives shall be reviewed by the Budget and Funds Department and assessed primarily from the perspective of fiscal impact, risks and sustainability.

(2) The Budgets and Funds Department shall prepare a summary list of proposed, reviewed and assessed new initiatives and projects.

Article 8

In constant coordination of the Sector for Budgets and Funds with the Minister of Finance, the targets for the budget balance (budget deficit or budget surplus) shall be determined, and the projections of revenues and expenditures shall be assessed in accordance with the priorities and the Work Program of the Government of the Republic of North Macedonia.

Article 9

During the preparation of the Fiscal Strategy Proposal, there is a daily written, electronic or other type of communication and coordination with the relevant departments in the Ministry of Finance and the competent institutions in the direction of ensuring the additional data and analyses, correction of already received data, etc.

Article 10

(1) According to the Plan with timelines for the preparation of the Fiscal Strategy for the corresponding fiscal year from Article 17 of the Budget Law, the Budgets and funds Department submits a circular letter with the aim of obtaining data for the preparation of the Fiscal strategy for the part that refers to local self-government units to the sectors within the Ministry of Finance namely:

- Treasury Department;
- the Department of Public Revenues and Tax and Customs Policy;
- the Department for International Financial Relations;
- the Public debt management department;
- other departments within the Ministry of Finance.

(2) The Treasury department submits data on:

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- realization of the revenues and expenses of the budgets of the local self-government units for the previous year and for the past months of the current year and
- data on local self-government units with a blocked account for the previous year and for the past months of the current year.

(3) The Department of Public Revenue and Tax and Customs Policy submits data on:

- realization of the revenues of the value added tax and the personal income tax from salary for the previous year and for the past months of the current year, as well as data on revenue projections for the next five years and
- description of each implemented and planned reform with qualitative and quantitative description of each individual type of income that is directly or indirectly income of the local self-government units.

(4) The Department for International Financial Relations submits data on:

- review of concluded credit agreements with international institutions where the user of the funds are the local self-government units and
- other necessary information and data.

(5) The Public debt management department submits data on:

- review of borrowing (inflow) from domestic and foreign loans, debt repayment for the previous two years and for the past months of the current year of the local self-government units (repayment of principal from loans and issued securities);
- qualitative and quantitative explanation of the main changes in the data from paragraph 1 of this paragraph, including changes in policies;
- review of issued and paid guarantees of local self-government units for the previous two years, as well as for the next mid-term period and
- other necessary information and data.

Article 11

The budgets and funds department submits a circular letter with the aim of obtaining data on financial and non-financial (material) assets of the municipalities to others departments within the Ministry of Finance and other relevant institutions in accordance the needs.

Article 12

(1) According to the Plan with timelines for the preparation of the Fiscal Strategy for the respective fiscal year, the departments within the Ministry of Finance prepare fiscal projections based on the existing legal and by-laws regulations, realized, started and proposed new projects and data for execution of the budgets of the local self-government units.

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(2) The budget and funds Department from the competent institutions receives projections for earmarked, block and other grants for municipalities, as well as estimates for these grants for the next five years, for the distribution of the approved part of the income from tax on added value of the municipalities and determines the maximum amount of own revenues for each municipality separately.

Article 13

According to the Plan with timelines for the preparation of the Fiscal Strategy for the respective fiscal year, the Budgets and Funds Department analyzes the received data from the departments within the Ministry of Finance, prepares the mid-term projections for the local self-government units and the draft text for the section of local authorities, as part of the Fiscal Strategy.

Article 14

According to the Plan with timelines for the preparation of the Fiscal Strategy for the corresponding fiscal year from Article 17 of the Budget Law, the Budgets and funds Department submits a letter to the Ministry of Finance - Treasury Department, with the aim obtaining data for the preparation of the Fiscal Strategy for the part that refers to public enterprises and commercial companies in state ownership at the central level for:

- realized revenues in the Budget of the Republic of North Macedonia based on payment of dividends from joint-stock companies in state ownership and realized revenues on the basis of paid surplus funds from the operation of public enterprises state-owned at the central level and
- realized payments from the Budget of the Republic of North Macedonia to the public state-owned enterprises and commercial companies at the central level for the previous two years.

Article 15

According to the Plan with timelines for the preparation of the Fiscal Strategy for the respective fiscal year, the Budgets and Funds Department submits a letter to the Central Registry of the Republic of North Macedonia, in order to obtain data on the annual accounts of public enterprises and state-owned trading companies at the central level, for the previous year.

Article 16

According to the Plan with timelines for the preparation of the Fiscal Strategy for the respective fiscal year, the Budgets and Funds Department submits a circular letter to public enterprises and trading companies in state ownership of central level, for obtaining data for the preparation of the Fiscal Strategy for:

- realized total revenues, according to the Annual Account for the previous two years;
- realized total expenses, according to the Annual Account for the previous two years;

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- financial result of the operation, before taxation, according to the Annual Account for the previous two years;
- planned total revenues, according to the Financial Plan for the current year;
- planned total expenditures, according to the Financial Plan for the current year;
- planned financial result of the operation, before taxation, according to Financial plan for the current year;
- planned total revenues and expenses, by structure for the next five years and
- planned total investments for the next five years.

Article 17

According to the Plan with timelines for the preparation of the Fiscal Strategy for the respective fiscal year, the Budgets and Funds Department analyzes the received data and prepares medium-term projections for public enterprises and commercial companies state-owned at the central level, as part of the Fiscal Strategy.

Article 18

The Budgets and Funds Department checks the compliance of proposed financial plans with the guidelines and instructions from the budget circular from article 29 of the Budget law and the approved expenditure limits.

Article 19

The Budgets and Funds Department can provide guidance on the necessary corrections in the proposed financial plans for the same to be part of the budget proposal for next year.

Article 20

The Fiscal Council prepares analyzes and opinions regarding the State Budget and the Fiscal Strategy which are submitted to the Government of the Republic of North Macedonia and to the Assembly of the Republic of North Macedonia.

Article 21

This guidance enters into force on the day of its publication in the "Official Gazette of Republic of North Macedonia".

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Skopje

Minister of Finance,
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